Exhibit U

The Washington Times

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EXCLUSIVE: Walpin fights back to save OIG

Joseph Weber (Contact)

EXCLUSIVE:

The inspector general fired by President Obama after concluding a California youth academy misused at least part of $847,673 in federal grants said Tuesday he is fighting back to save the entire Offices of the Inspector General.

"For a second I was thinking, 'Why do I need all of this?' I'll just resign and go back to my good legal practice in New York," inspector general Gerald Walpin told The Washington Times America's Morning News radio news show on Tuesday.

"But I would then be part of the apparatus that is totally torpedoing the inspectors general," Mr. Walpin continued. "The watchdog would not really be a watchdog. He'd just be afraid of his shadow."

He filed a lawsuit Friday that states the firing broke a 2008 law governing on how watchdogs can be dismissed.

Mr. Walpin, inspector general of the Corporation for National and Community Service since 2007, was removed on June 10. In a letter telling Congress of his decision, Mr. Obama said he no longer had confidence in Mr. Walpin, but did not elaborate.

Mr. Walpin says he was fired because he targeted an Obama supporter, Sacramento Mayor Kevin Johnson, who founded the St. Hope Academy, a nonprofit high school in that city.

Exhibit V

Mr. Johnson, a former NBA all-star, also was the academy's chief executive office when the federal AmeriCorps grants were received from 2004 to 2007.

The U.S. Attorney's Office for the Eastern District of California conducted a separate investigation and conclude this spring the academy improperly handled the funds.

"St. Hope did not appropriately spend AmeriCorps grant awards and education awards in accordance with the terms of grant requirements and did not adequately document its expenditures of grant awards," acting U.S. attorney for the Eastern District of California, Lawrence G. Brown, said on April 9.

Under the terms of the agreement, the academy must repay $423,836.50, half of the total grant money, and Mr. Johnson must attend mandatory grant-administration training.

The agreement also ended the city being cut off from federal stimulus money.

Mr. Walpin said Tuesday the academy is insolvent and will never repay the money.

However, the U.S. Attorney's Office in California provided documents showing the academy and Mr. Johnson have each made an initial payment of $73,800.

Agency spokeswoman Lauren Harwood said the remaining payments are not past due and the office has received no notification the academy has filed for bankruptcy.

"We have every reason to believe the money will be repaid," she said.

Mr. Walpin's lawsuit also states the administration violated the watchdog law by failing to interview him and his staff, not telling Congress 30 days before an inspector general is dismissed, and not giving a full explanation about the dismissal.

However, days after the firing, a White House lawyer wrote a letter to a small group of senators stating Mr. Walpin at a May 20 meeting was "confused, disoriented, unable to answer questions and exhibited other behavior" that led the board of the corporation to question his ability to serve as inspector general.

The White House has not returned a call for comment.

Though it's not part of the suit, filed in a federal District Court in Washington, D.C., Mr. Walpin's lawyers stated in their legal brief that the case "raises serious questions of age discrimination" because of the accusations that Mr. Walpin, who is 77, seemed unable to function.

printed right before appeal
7-21-2009

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CHAPTER 11 CASE NO

09-50026

JOINTLY ADMINISTERED

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

GENERAL MOTORS CORP., ET AL.,

DEBTORS

DESIGNATION OF ITEMS TO BE INCLUDED IN THE RECORD

Note: - Changes IN Red

ITEMS ARE: EXHIBIT (S) A, B, C, D, E, F, G, H, I, J, K, L, M, N, O, P, Q, R, S, T, U Add V, W
EXHIBIT A: THE CONSTITUTION – SA
✓EXHIBIT B: ~~CHART ON TOP OF PAGE 2~~ = WiKApedia USING census Figures
✓EXHIBIT C: CHART FIGURE 5 PAGE 2 – page 9
✓EXHIBIT D: ~~TITLE 29 SUBTITLE D 1362~~ BerNANKe No crackdown on Lending
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EXHIBIT G: TITLE 29 SUBTITLE B part 3 1083
EXHIBIT H: TITLE 29 SUBTITLE C 1341
EXHIBIT I: TITLE 29 SUBTITLE D 1369
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EXHIBIT: O TITLE 12 1820
EXHIBIT: P CONGRESS REPEALS GLASS-STEAGALL ACT IN 1999 pg 1 page 4
✓EXHIBIT: Q ANTI TRUST LAW – Add page 1
EXHIBIT: R TRADITIONAL COMPANY PENSIONS
EXHIBIT: S PENSION PAYMENT PROOF
EXHIBIT: T STATEMENT OFF NEW GM WEB SITE
✓EXHIBIT: U ~~FROM: GMREINVENTED.COM~~ INspector General Fired
EXHIBIT: V TITLE 29 SUBTITLE D 1360, – 1368
✓ Exhibit: B2 Middle class spending money They Don't have
✓ Exhibit: W Historic Economic DownTurns

Exhibit B2

SAFEHAVEN
PRESERVATION OF CAPITAL

"No warning can save a people determined to grow suddenly rich." - Lord Overstone

February 11, 2008

Alm's for the Poor?
by Paul Kasriel

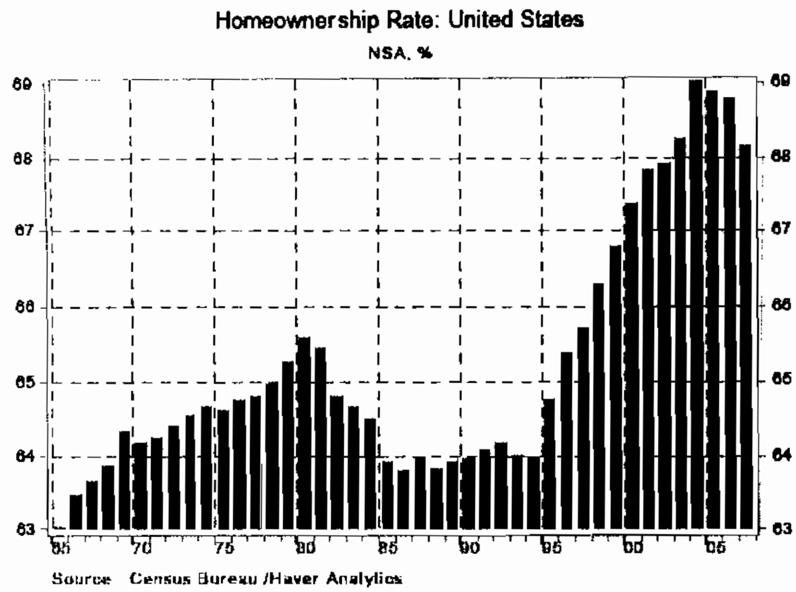
In the Sunday, February 10, 2008 op-ed section of *The New York Times*, Dallas Fed economists W. Michael Cox and Richard Alm argue that consumption is "a better guideline of economic prosperity than income" (You Are What You Spend). The authors point out that while the share of national income going to the richest 20 percent of U.S. households rose from 43.6% in 1975 to 49.6% in 2006 as the share of national income going to the poorest 20% of households fell from 4.3% to 3.3%, the poorest really have not been falling behind so much if consumption is taken into consideration. Although before-tax household income in 2006 for the richest 20% was $149,963, 15 times as big as the $9,974 income of the poorest 20% of households, the richest spent on consumer goods and services only four times as much as the poorest. The richest 20% consumed about 47% of their before-tax household income; the poorest 20% consumed 182% of their before-tax income. In other words, the poorest U.S. households, similar to the U.S. economy as a whole, are running a huge *deficit* - spending on consumption goods and services more than they produce. And you felt sorry for the poor!

I don't devote my research to income distribution, but to national aggregates - aggregate deficits, aggregate indebtedness, etc. As I alluded to above, the U.S. ran an absolute and relative record current account deficit in 2006 of $811 billion, or 6.15% of GDP. This means that in the aggregate, we spent $811 billion more in 2006 than we produced. There are only two ways an economy or an individual can spend more than it or he produces - borrow and/or sell assets.

Now, let's not restrict the definition of economic prosperity just to consumption of goods and services. Let's include homeownership. After all, do not the poorest 20% of households derive pecuniary and nonpecuniary benefits from home ownership? Chart 1 shows that the homeownership rate in 2006 was 68.8% vs. only 64.6% in 1975, the years that Cox and Alm use for comparative purposes.

Chart 1

ExhibiT B2



There is a line item in the Federal Reserve's Flow-of-Funds data -- "net financial investment" in Table F.100 -- that goes a long way in explaining the "prosperity" to which Cox and Alm refer. Net financial investment is the difference between households' net acquisition of financial assets and the net increase in their liabilities. In a previous commentary (Gene Epstein's Great American Savings (sic) Myth), I demonstrated that when net financial investment is negative, household total spending must be larger than household income. Chart 2 shows the behavior of household net financial investment as a percent of personal income. Beginning in 1999, household net financial investment has been negative, indicating that total household spending has exceeded household income. In 1975, household net financial investment was *positive* 8.3% of personal income; in 2006, it was *negative* 5.9% of personal income.

Chart 2

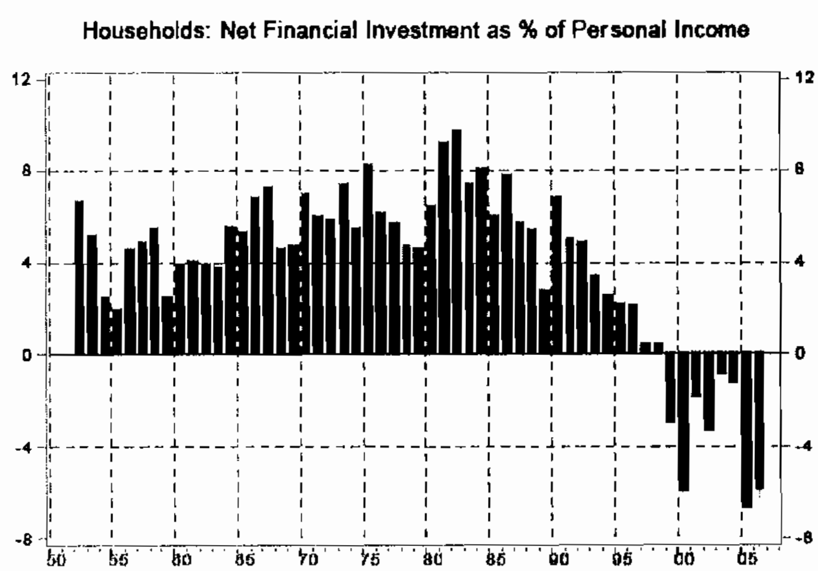


Chart 3 shows household total credit market borrowing as a percent of personal income. In 1975, household credit market borrowing was 4.3% of personal income; in 2006, it was 10.9% of personal income.

Chart 3

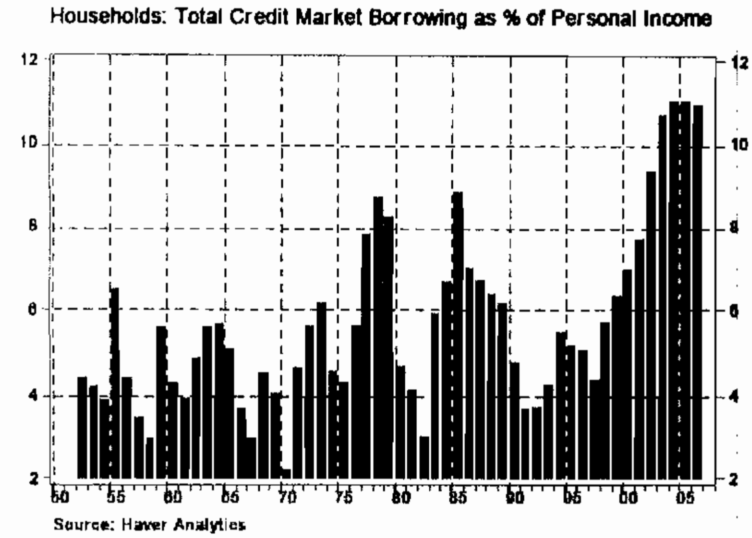
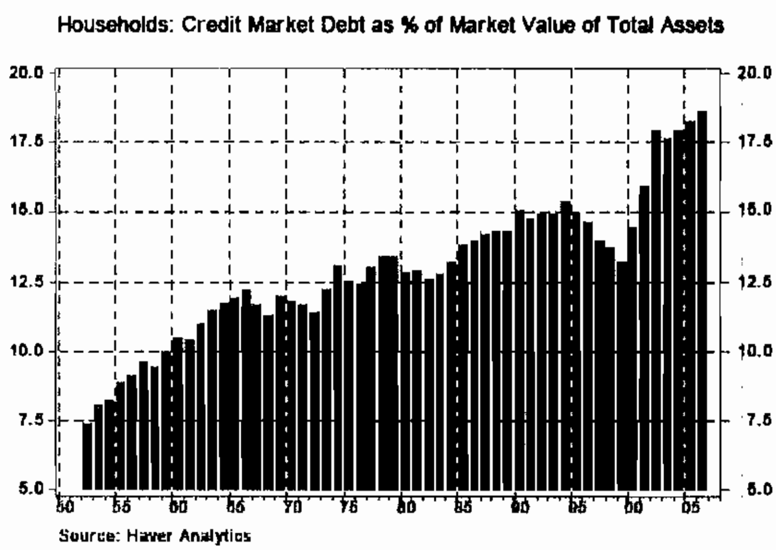


Chart 4 shows household credit market debt as a percent of the market value of total household assets - tangible and financial. In 1975, the household debt-to-asset ratio was 12.4%; in 2006, it was 18.6%.

Chart 4



So, yes, the poorest 20% of households might be enjoying increased "prosperity" today relative to 1975. But if the households *in the aggregate* are spending *more* than their incomes and the *richest 20%* are spending *less* than their incomes, then it must be that the *"bottom" 80%* are spending *considerably more* than their incomes. That is, the bottom 80% have become "prosperous" by going into debt up to their eyebrows. I sure hope the consumer durables they have purchased with borrowed funds have a long useful life because the bottom 80% are likely to find it more difficult spending more than they earn inasmuch as household credit availability is tightening significantly (see Charts 5 and 6).

Chart 5

Exhibit B2

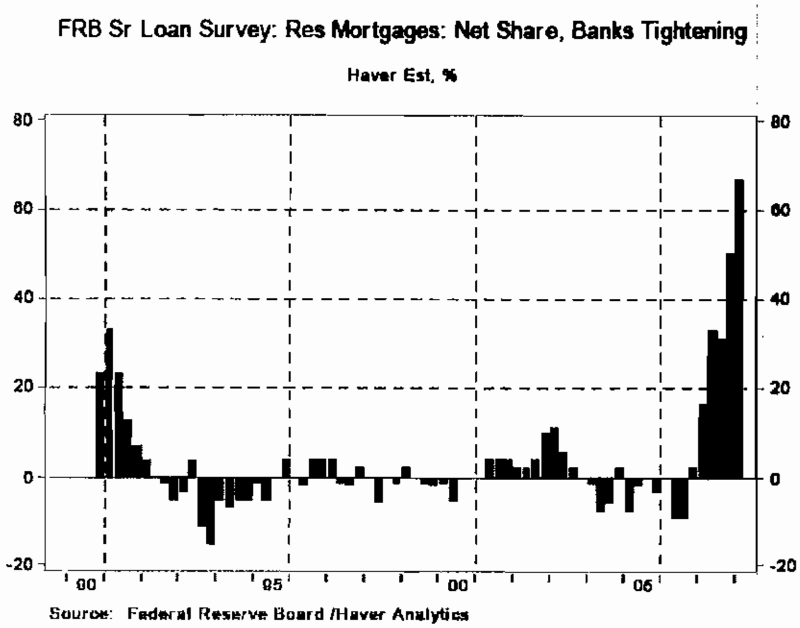
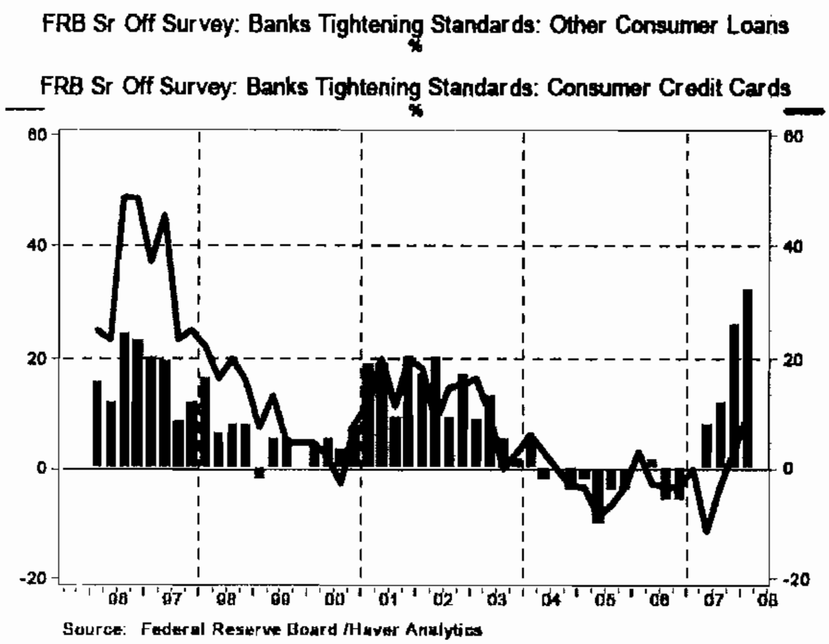


Chart 6



Paul Kasriel is the recipient of the 2006 Lawrence R. Klein Award for Blue Chip Forecasting Accuracy

SHARE

Paul L. Kasriel, Director of Economic Research
The Northern Trust Company
Economic Research Department
Positive Economic Commentary
"The economics of what is, rather than what you might like it to be."

Exhibit B2

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△ Top of Page

Exhibit B1 pg1

Household income in the United States

From Wikipedia, the free encyclopedia

Household income is a measure of current private income commonly used by the United States government and private institutions. To measure the income of a household, the pre-tax money receipts of all residents over the age of 18 over a single year are combined. Most of these receipts are in the form of wages and salaries, but many other forms of income, such as unemployment insurance, disability, child support, etc., are included as well. The residents of the household do not have to be related to the householder for their earnings to be considered part of the household's income.[1] As households tend to share a common economic fate, the use of household income remains among the most far and widely accepted measures of income. However, the size of a household, which is commonly not considered, creates significant distortions which offset gains or decreases in household income and makes direct comparisons between quintiles impossible.[2]

In 2007, the median annual household income rose 1.3% to $50,233.00 according to the Census Bureau.[3] The real median earnings of men who worked full time, year-round climbed between 2006 and 2007, from $43,460 to $45,113. For women, the corresponding increase was from $33,437 to $35,102. The median income per household member (including all working and non-working members above the age of 14) was $26,036 in 2006.[4] In 2006, there were approximately 116,011,000 households in the United States. 1.93% of all households had annual incomes exceeding $250,000.[5] 12.3% fell below the federal poverty threshold[6] and the bottom 20% earned less than $19,178.[7] The aggregate income distribution is highly concentrated towards the top, with the top 6.37% earning roughly one third of all income, and those with upper middle incomes control a large, though declining, share of the total earned income.[8][2] Income inequality in the United States, which had decreased slowly after World War II until 1970, began to increase in the 1970s until reaching a peak in 2006. It declined a little in 2007.[9] Households in the top quintile, 77% of which had two or more income earners, had incomes exceeding $91,705. Households in the mid quintile, with a mean of approximately one income earner per household had incomes between $36,000 and $57,657. Households in the lowest quintile had incomes less than $19,178 and the majority had no income earner.[10]

The 2006 economic survey also found that households in the top two income quintiles, those with an annual household income exceeding $60,000, had a median of two income earners while those in the lower quintiles (2nd and middle quintile) had median of only one income earner per household. Due to high unemployment among those in the lowest quintile the median number of income earners for this particular group was zero.[5] Overall, the United States followed the trend of other developed nations with a relatively large population of relatively affluent households outnumbering the poor. Among those in between the extremes of the income strata are a large number of households with moderately high middle class incomes[8] and an even larger number of households with moderately low incomes.[5] While the median household income has increased 30% since 1990, it has increased only slightly when considering inflation. In 1990, the median household income was $30,056 or $44,603 in 2003 dollars. While personal income has remained relatively stagnant over the past few decades, household income has risen due to the rising percentage of households with two or more income earners. Between 1999 and 2004 household income stagnated showing a slight increase since 2004.[11][12] According to the Bureau of Economic Analysis, per capita income has increased every year for the past 10 years, with an annual average of 5.2% gains for the past 4 years. The recently released US Income Mobility Study showed economic growth resulted in rising incomes for most taxpayers over the period from 1996 to 2005. Median incomes of all taxpayers increased by 24 percent after adjusting for inflation. The real incomes of two-thirds of all taxpayers increased over this period. Income mobility of individuals was considerable in the U.S. economy during the 1996 through 2005 period with roughly half of taxpayers who began in the bottom quintile moving up to a higher income group within 10 years. In addition, the median incomes of those initially in the lower income groups increased more than the median incomes of those initially in the higher income groups.[13]

Contents

Household income in the US

This graph shows the percentage of the population per income groups $10,000 increments apart, except for the furthest two right columns which are separated by increments of $50,000

Income range	Households (thousands)	Percent	Percent below	Mean number of earners	Mean household size
$0 to $25,000 (28.22%)				0	2
Under $2,500	2,566	2.26%	0	0.23	1.97

Exhibit B1 pg 2

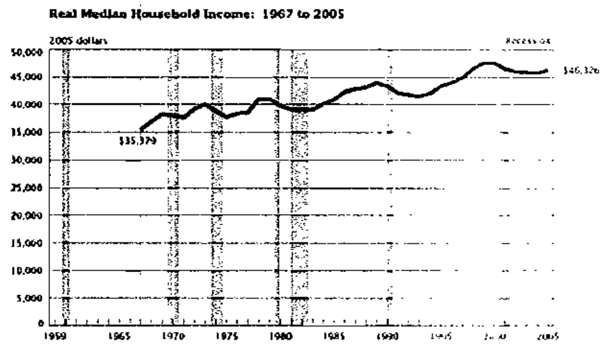
Please note that all figures are presented in 2003 dollars.

Since 1967, the median household income in the United States has risen by 31%, fluctuating several times. The rise in household income is largely the result of an increase in personal income among college graduates, a group that has doubled in size since the 1960s, and women entering the labor force. Today, 42% of all households have two income earners. Household income increased dramatically faster for affluent households with income inequality having increased steadily since the 1970s.[29][30]

While household income has increased, its growth has been slowed by a decrease in married-couple households who tend to have two earners and, therefore, higher incomes. While the proportion of wives working year-round in married couple households with children has increased from 17% in 1967 to 39% in 1996, the proportion of such households among the general population has decreased. This means that that the share the most economically prosperous type of household in the has been dwindling in the United States. In 1969, more than 40% of all households consisted of a married couple with children. By 1996 only a rough quarter of US households consisted of married couples with children. As a result of these changing household demographics, median household income rose relatively slowly despite an ever increasing female labor force and a considerable increase in the percentage of college graduates.[31]

> "From 1969 to 1996, median household income rose a very modest 6.3 percent in constant dollars... The 1969 to 1996 stagnation in median household income may, in fact, be largely a reflection of changes in the size and composition of households rather than a reflection of a stagnating economy."- John McNeil, US Census Bureau

This graph shows the income of the given percentiles from 1967 to 2003 in 2003 dollars [27]



Median household income between 1965 and 2005. Graph by the US Census Bureau [28]

Overall, the median household income rose from $33,338 in 1967 to an all-time high of $44,922 in 1999, and has since decreased slightly to $43,318. Decreases in household income are visible during each recession, while increases are visible during economic upturns. These fluctuations were felt across the income strata as the incomes of both, the 95th and 20th percentile were affected by fluctuations in the economy. Income in the period between 1967 and 1999 grew considerably faster among wealthier households than it did among poorer households. For example the household income for the 80th precentile, the lower threshold for the top quintile, rose from $55,265 in 1967 to $86,867 in 2003, a 57.2% increase. The median household income rose by 30% while the income for the 20th percentile (the lower threshold for the second lowest quintile) rose by only 28% from $14,002 to $17,984. As the majority of households in the top quintile had two income earners, versus zero for the lowest quintile and that the widening gap between the top and lowest quintile may largely be the reflection of changing household demographics including the addition of women to the workforce.[27][31] Household demographics are not, however, the cause of the growing gap between the top 5% and the rest of the upper quintile. The top 5% had fewer dual earner households and full-time workers than the top quintile overall. In 2003 a household in the 95th percentile earned 77.2% more than a household in the 80th percentile, compared to 60.5% in 1967, a 27.6% increase in the earnings increase discrepancy between the two groups. Overall the income of the 95th percentile grew 15.2% faster than that of the 80th, 146.8% faster than that of the median and 159.9% faster than that of the 20th percentile.[32]

Households in the top 1% experienced the by far greatest increases in household income. According to economist Janet Yellen "the growth [in real income] was heavily concentrated at the very tip of the top, that is, the top 1 percent."[33] A 2006 analysis of IRS income data by economists Emmanuel Saez at the University of California Berkeley and Thomas Piketty at the Paris School of Economics showed that the share of income held by the top 1% was as large in 2005 as in 1928. The data revealed that reported income increased by 9% in 2005, with the mean for the top 1% increasing by 14% and that for the bottom 90% dropping slightly by 0.6%.[34]

While per-capita, disposable income has increased 469% since 1972, it has only increased moderately when inflation is considered. In 1972, disposable personal income was determined to be $4,129; $19,385 in 2005 dollars. In 2005, disposable personal income was, however, $27,640, a 43% increase.[35][36] Since the late 1990s, household income has fallen slightly [37]

Data	2003	2000	1997	1994	1991	1988	1985	1982	1979	1976	1973	1970	1967
20th percentile	$17,984	$19,142	$17,601	$16,484	$16,580	$17,006	$16,306	$15,548	$16,457	$15,615	$15,844	$15,126	$14,002
Median (50th)	$43,318	$44,853	$42,294	$39,613	$39,679	$40,678	$38,510	$36,811	$38,649	$36,155	$37,700	$35,832	$33,338
80th percentile	$86,867	$87,341	$81,719	$77,154	$74,759	$75,593	$71,433	$66,920	$68,318	$63,247	$64,500	$60,148	$55,265
95th percentile	$154,120	$155,121	$144,636	$134,835	$126,969	$127,958	$119,459	$111,516	$111,445	$100,839	$102,243	$95,090	$88,678

SOURCE: US Census Bureau, 2004[27] *(Page 44/45)*

International comparison

Median household income for other countries is shown in the table below. The data for each country has been converted to US dollars using Purchasing Power Parity (obtained from the OECD).[38] Median household income in the United States remains slightly higher than in the UK and Ireland, yet lower than that of Switzerland. It is important to note that the differences in median household income between US states can be as large as those between the developed nations. The median household income of the UK, for example, is comparable to that of Florida or South Carolina, while Switzerland is comparable to New Jersey or New Hampshire.

Country	Median household income national currency units	Year	PPP rate (OECD)	Median household income (PPP)
Switzerland[39]	(gross) 101,904 CHF, $81,274	2006	1.762142	$55,901

Exhibit B 1 pg 3

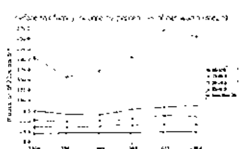
Not surprisingly the lowest income group was composed of those households headed by individuals younger than 24, followed by those headed by persons over the age of 75. Overall, households headed by persons above the age of seventy-five had a median household income of $20,467 with the median household income per member of household being $18,645. These figures support the general assumption that median household income as well as the median income per member of household peaked among those households headed by middle aged persons, increasing with the age of the householder and the size of the household until the householder reaches the age of 64. With retirement income replacing salaries and the size of the household declining, the median household income decreases as well.[24]

Aggregate income distribution

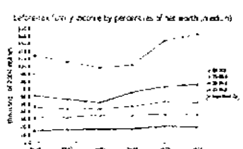
The aggregate income measures the combined income earned by all persons in a particular income group. In 2007, all households in the United States earned roughly $7.896 trillion [25]. One half, 49.98%, of all income in the US was earned by households with an income over $100,000, the top twenty percent. Over one quarter, 28.5%, of all income was earned by the top 8%, those households earning more than $150,000 a year. The top 3.65%, with incomes over $200,000, earned 17.5%. Households with annual incomes from $50,000 to $75,000, 18.2% of households, earned 16.5% of all income. Households with annual incomes from $50,000 to $95,000, 28.1% of households, earned 28.8% of all income. The bottom 10.3% earned 1.06% of all income.

Distribution of Income

Family Income



Before-tax U.S. family income distribution 1989-2001 (mean)



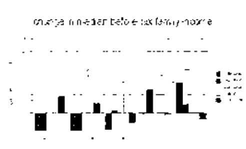
Before-tax U.S. family income distribution 1989-2004 (median)

U.S. income distribution 1947-2007

U.S. income distribution 1967-2003

Percent change in family net income

Change in mean before-tax U.S. family income (1989-2004)



Change in median before-tax U.S. family income (1989-2004)

Before-Tax Family Income in the U.S. from 1989-2004[26]
(thousands of 2004 dollars)

before tax family income (mean)						
Percentiles of net worth	1989	1992	1995	1998	2001	2004
90-100	205.1	158.5	172.8	206.3	272.7	256.2
75-89.9	74.6	67.0	65.0	78.3	83.7	87.9
50-74.9	52.9	48.1	50.1	54.3	62.7	60.6
25-49.9	36.9	36.4	38.6	39.3	42.1	42.2
Less than 25	21.5	22.9	22.9	23.6	25.6	25.1
before tax family income (median)						
Percentiles of net worth	1989	1992	1995	1998	2001	2004
90-100	114.7	106.6	99.1	102.4	134.7	143.8
75-89.9	61.2	56.7	52.6	65.8	74.1	77.0
50-74.9	46.3	43.2	43.6	47.0	54.4	52.4
25-49.9	32.3	32.2	35.3	35.3	37.2	37.0
Less than 25	15.3	17.2	17.8	18.5	21.0	20.5

Household income over time

Exhibit C

Wealth, Income, and Power

by G. William Domhoff

September 2005 (updated May 2009)

This document presents details on the wealth and income distributions in the United States, and explains how we use these two distributions as power indicators.

Some of the information might be a surprise to many people. The most amazing numbers come last, showing the change in the ratio of the average CEO's paycheck to that of the average factory worker over the past 40 years.

First, though, two definitions. Generally speaking, "wealth" is the value of everything a person or family owns, minus any debts. However, for purposes of studying the wealth distribution, economists define wealth in terms of *marketable assets*, such as real estate, stocks, and bonds, leaving aside consumer durables like cars and household items because they are not as readily converted into cash and are more valuable to their owners for use purposes than they are for resale (Wolff, 2004, p. 4, for a full discussion of these issues). Once the value of all marketable assets is determined, then all debts, such as home mortgages and credit card debts, are subtracted, which yields a person's net worth. In addition, economists use the concept of *financial wealth*, which is defined as net worth minus net equity in owner-occupied housing. As Wolff (2004, p. 5) explains, "Financial wealth is a more 'liquid' concept than marketable wealth, since one's home is difficult to convert into cash in the short term. It thus reflects the resources that may be immediately available for consumption or various forms of investments."

We also need to distinguish wealth from *income*. Income is what people earn from wages, dividends, interest, and any rents or royalties that are paid to them on properties they own. In theory, those who own a great deal of wealth may or may not have high incomes, depending on the returns they receive from their wealth, but in reality those at the very top of the wealth distribution usually have the most income.

The Wealth Distribution

In the United States, wealth is highly concentrated in a relatively few hands. As of 2004, the top 1% of households (the upper class) owned 34.3% of all privately held wealth, and the next 19% (the managerial, professional, and small business stratum) had 50.3%, which means that just 20% of the people owned a remarkable 85%, leaving only 15% of the wealth for the bottom 80% (wage and salary workers). In terms of financial wealth (total net worth minus the value of one's home), the top 1% of households had an even greater share: 42.2%. Table 1 and Figure 1 present further details drawn from the careful work of economist Edward N. Wolff at New York University (2007).

Table 1: Distribution of net worth and financial wealth in the United States, 1983-2004

Total Net Worth

	Top 1 percent	Next 19 percent	Bottom 80 percent
1983	33.8%	47.5%	18.7%
1989	37.4%	46.2%	16.5%
1992	37.2%	46.6%	16.2%
1995	38.5%	45.4%	16.1%
1998	38.1%	45.3%	16.6%
2001	33.4%	51.0%	15.6%

2004	34.3%	50.3%	15.3%

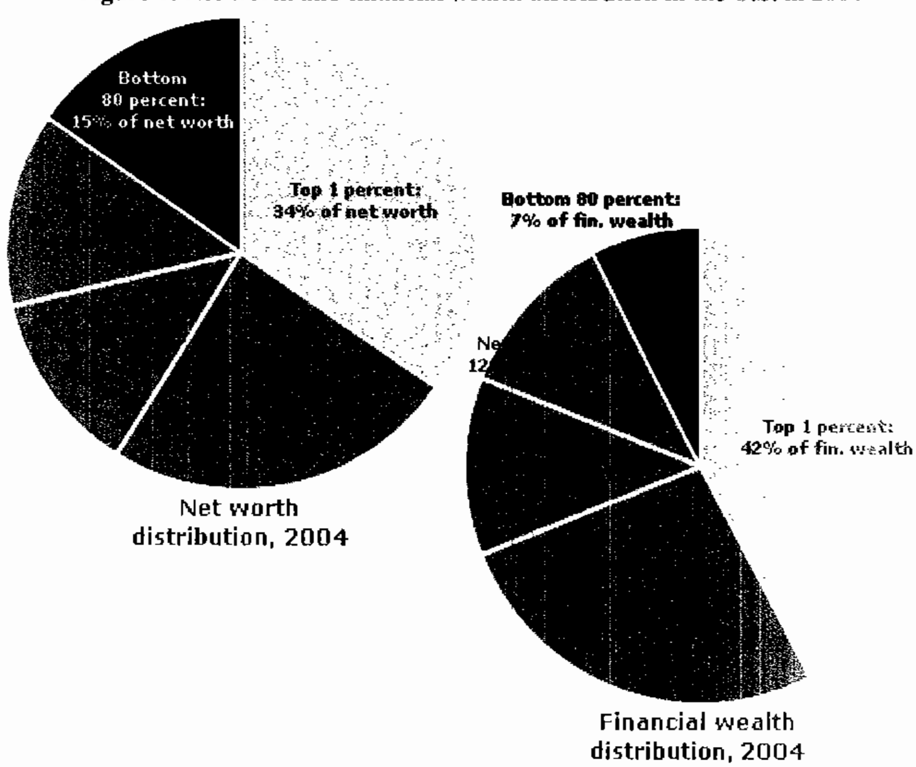
Financial Wealth

	Top 1 percent	Next 19 percent	Bottom 80 percent
1983	42.9%	48.4%	8.7%
1989	46.9%	46.5%	6.6%
1992	45.6%	46.7%	7.7%
1995	47.2%	45.9%	7.0%
1998	47.3%	43.6%	9.1%
2001	39.7%	51.5%	8.7%
2004	42.2%	50.3%	7.5%

Total assets are defined as the sum of: (1) the gross value of owner-occupied housing; (2) other real estate owned by the household; (3) cash and demand deposits; (4) time and savings deposits, certificates of deposit, and money market accounts; (5) government bonds, corporate bonds, foreign bonds, and other financial securities; (6) the cash surrender value of life insurance plans; (7) the cash surrender value of pension plans, including IRAs, Keogh, and 401(k) plans; (8) corporate stock and mutual funds; (9) net equity in unincorporated businesses; and (10) equity in trust funds.

Total liabilities are the sum of: (1) mortgage debt; (2) consumer debt, including auto loans; and (3) other debt. From Wolff (2004 & 2007).

Figure 1: Net worth and financial wealth distribution in the U.S. in 2004



In terms of types of financial wealth, the top one percent of households have 36.7% of all privately held stock, 63.8% of financial securities, and 61.9% of business equity. The top 10% have 85% to 90% of stock, bonds, trust funds, and business equity, and over 75% of non-home real estate. Since financial wealth is what counts as far as the control of income-producing assets, we can say that just 10% of the people own the United States of America.

Exhibit C

Table 2: Wealth distribution by type of asset, 2004

Investment Assets

	Top 1 percent	Next 9 percent	Bottom 90 percent
Business equity	61.9%	28.4%	9.7%
Financial securities	63.8%	24.1%	12.1%
Trusts	47.7%	33.9%	18.5%
Stocks and mutual funds	36.7%	42.0%	21.2%
Non-home real estate	36.8%	42.6%	20.6%
TOTAL	50.3%	35.3%	14.4%

Housing, Liquid Assets, Pension Assets, and Debt

	Top 1 percent	Next 9 percent	Bottom 90 percent
Deposits	20.8%	40.1%	39.1%
Pension accounts	13.5%	44.8%	41.7%
Life insurance	21.4%	36.0%	42.7%
Principal residence	9.8%	28.2%	62.0%
Debt	7.2%	19.9%	73.0%
TOTAL	12.2%	33.5%	54.3%

From Wolff (2007).

Figure 2a: Wealth distribution by type of asset, 2004: investment assets

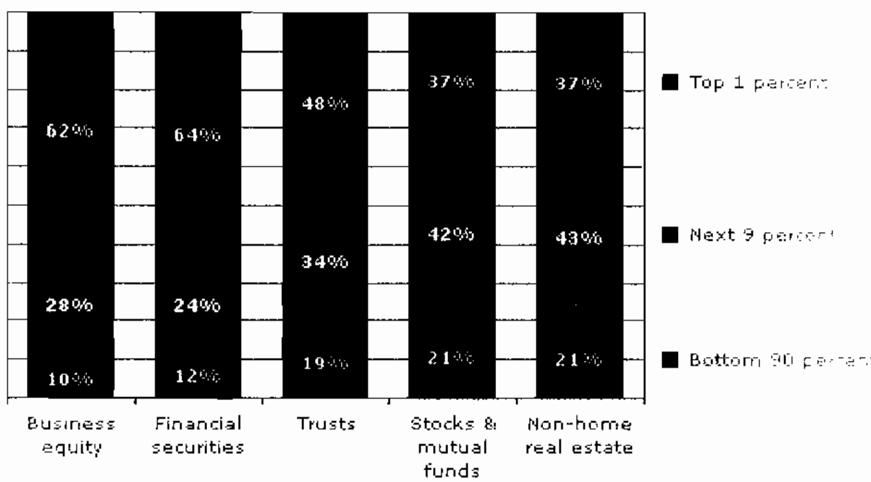
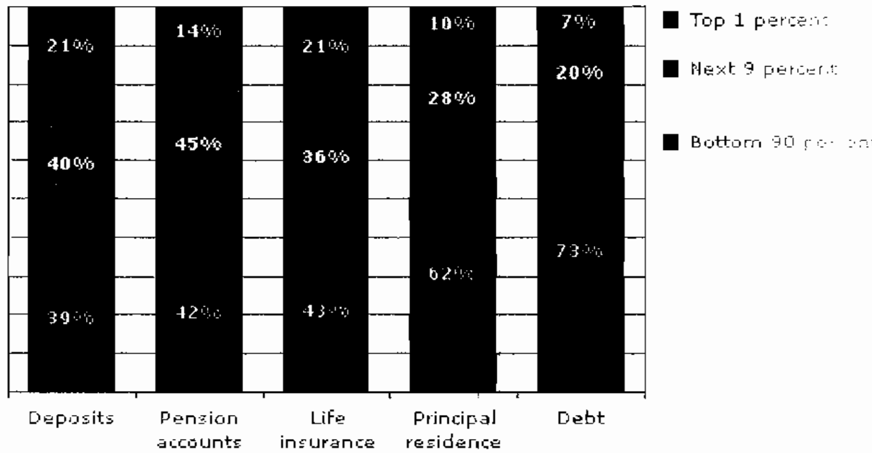


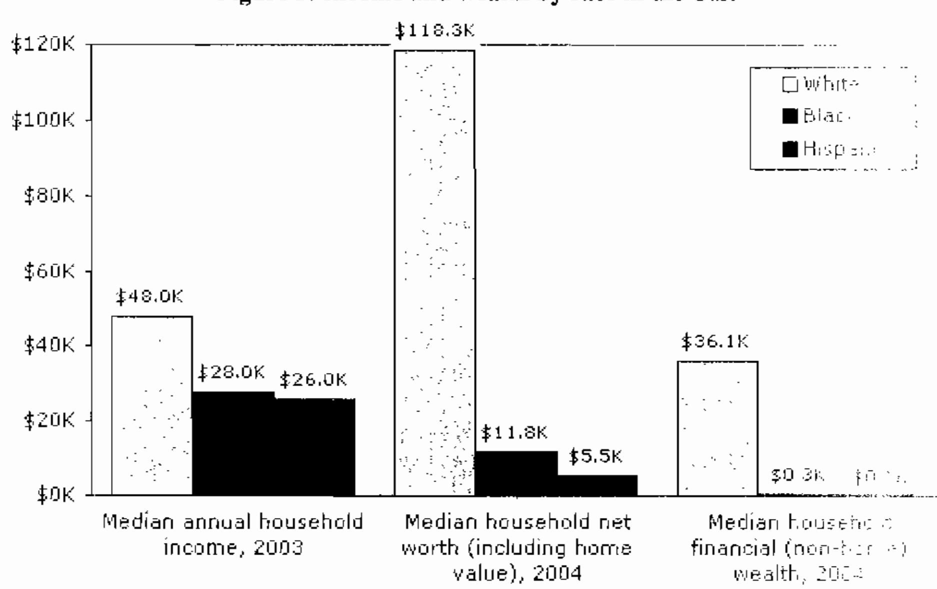
Figure 2b: Wealth distribution by type of asset, 2004: other assets



Figures on inheritance tell much the same story. According to a study published by the Federal Reserve Bank of Cleveland, only 1.6% of Americans receive $100,000 or more in inheritance. Another 1.1% receive $50,000 to $100,000. On the other hand, 91.9% receive nothing (Kotlikoff & Gokhale, 2000). Thus, the attempt by ultra-conservatives to eliminate inheritance taxes -- which they always call "death taxes" for P.R. reasons -- would take a huge bite out of government revenues for the benefit of less than 1% of the population. (It is noteworthy that some of the richest people in the country oppose this ultra-conservative initiative, suggesting that this effort is driven by anti-government ideology. In other words, few of the ultra-conservatives behind the effort will benefit from it in any material way.)

For the vast majority of Americans, their homes are by far the most significant wealth they possess. Figure 3 comes from the Federal Reserve Board's Survey of Consumer Finances (via Wolff, 2007) and compares the median income, total wealth (net worth, which is marketable assets minus debt), and non-home wealth (which earlier we called financial wealth) of White, Black, and Hispanic households in the U.S.

Figure 3: Income and wealth by race in the U.S.



Besides illustrating the significance of home ownership as a measure of wealth, the graph also shows how much worse Black and Latino households are faring overall, whether we are talking about income or net worth. In 2004, the average white household had 10 times as much total wealth as the average African-American household, and 21 times as much as the average Latino household. If we exclude home equity from the calculations and consider only

financial wealth, the ratios are more startling: 120:1 and 360:1, respectively. Extrapolating from these figures, we see that 69% of white families' wealth is in the form of their principal residence; for Blacks and Hispanics, the figures are 97% and 98%, respectively.

Historical context

Numerous studies show that the wealth distribution has been extremely concentrated throughout American history, with the top 1% already owning 40-50% in large port cities like Boston, New York, and Charleston in the 19th century (Keister, 2005). It was very stable over the course of the 20th century, although there were small declines in the aftermath of the New Deal and World II, when most people were working and could save a little money. There were progressive income tax rates, too, which took some money from the rich to help with government services.

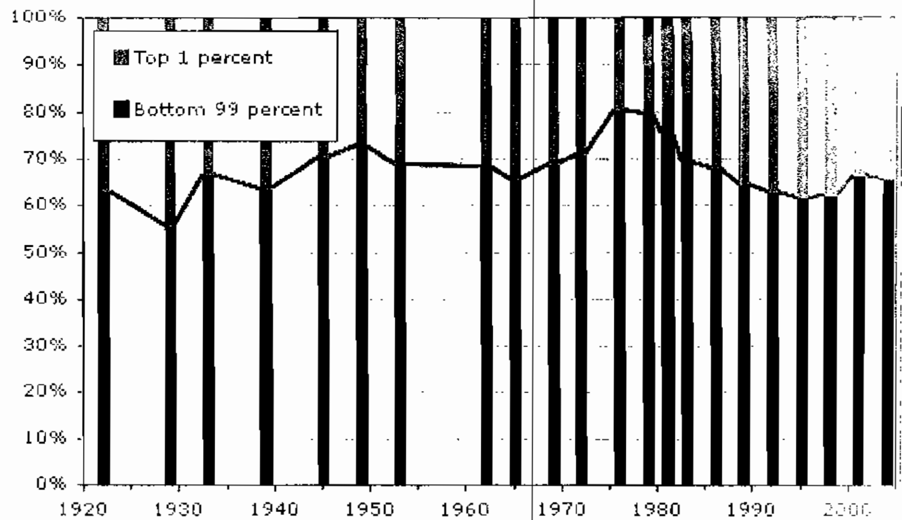
Then there was a further decline, or flattening, in the 1970s, but this time in good part due to a fall in stock prices, meaning that the rich lost some of the value in their stocks. By the late 1980s, however, the wealth distribution was almost as concentrated as it had been in 1929, when the top 1% had 44.2% of all wealth. It has continued to edge up since that time, with a slight decline from 1998 to 2004, before the economy crashed in the late 2000s and little people got pushed down again. Table 3 and Figure 4 present the details from 1922 through 2004.

Table 3: Share of wealth held by the Bottom 99% and Top 1% in the United States, 1922-2004.

	Bottom 99 percent	Top 1 percent
1922	63.3%	36.7%
1929	55.8%	44.2%
1933	66.7%	33.3%
1939	63.6%	36.4%
1945	70.2%	29.8%
1949	72.9%	27.1%
1953	68.8%	31.2%
1962	68.2%	31.8%
1965	65.6%	34.4%
1969	68.9%	31.1%
1972	70.9%	29.1%
1976	80.1%	19.9%
1979	79.5%	20.5%
1981	75.2%	24.8%
1983	69.1%	30.9%
1986	68.1%	31.9%
1989	64.3%	35.7%
1992	62.8%	37.2%
1995	61.5%	38.5%
1998	61.9%	38.1%
2001	66.6%	33.4%
2004	65.7%	34.3%

Sources: 1922-1989 data from Wolff (1996). 1992-2004 data from Wolff (2007).

Figure 4: Share of wealth held by the Bottom 99% and Top 1% in the United States, 1922-2004.



Here are some dramatic facts that sum up how the wealth distribution became even more concentrated between 1983 and 2004, in good part due to the tax cuts for the wealthy and the defeat of labor unions: Of all the new financial wealth created by the American economy in that 21-year-period, fully 42% of it went to the top 1%. A whopping 94% went to the top 20%, which of course means that the bottom 80% received only 6% of all the new financial wealth generated in the United States during the '80s, '90s, and early 2000s (Wolff, 2007).

The rest of the world

Thanks to a 2006 study by the World Institute for Development Economics Research -- using statistics for the year 2000 -- we now have information on the wealth distribution for the world as a whole, which can be compared to the United States and other well-off countries. The authors of the report admit that the quality of the information available on many countries is very spotty and probably off by several percentage points, but they compensate for this problem with very sophisticated statistical methods and the use of different sets of data. With those caveats in mind, we can still safely say that the top 10% of the world's adults control about 85% of global household wealth -- defined very broadly as all assets (not just financial assets), minus debts. That compares with a figure of 69.8% for the top 10% for the United States. The only industrialized democracy with a higher concentration of wealth in the top 10% than the United States is Switzerland at 71.3%. For the figures for several other Northern European countries and Canada, all of which are based on high-quality data, see Table 4.

Table 4: Percentage of wealth held by the Top 10% of the adult population in various Western countries

country	wealth owned by top 10%
Switzerland	71.3%
United States	69.8%
Denmark	65.0%
France	61.0%
Sweden	58.6%
UK	56.0%
Canada	53.0%
Norway	50.5%
Germany	44.4%
Finland	42.3%

The Relationship Between Wealth and Power

What's the relationship between wealth and power? To avoid confusion, let's be sure we understand they are two different issues. Wealth, as I've said, refers to the value of everything people own, minus what they owe, but the focus is on "marketable assets" for purposes of economic and power studies. Power, as explained elsewhere on this site, has to do with the ability (or call it capacity) to realize wishes, or reach goals, which amounts to the same thing, even in the face of opposition (Russell, 1938; Wrong, 1995). Some definitions refine this point to say that power involves Person A or Group A affecting Person B or Group B "in a manner contrary to B's interests," which then necessitates a discussion of "interests," and quickly leads into the realm of philosophy (Lukes, 2005, p. 30). Leaving those discussions for the philosophers, at least for now, how do the concepts of wealth and power relate?

First, wealth can be seen as a "resource" that is very useful in exercising power. That's obvious when we think of donations to political parties, payments to lobbyists, and grants to experts who are employed to think up new policies beneficial to the wealthy. Wealth also can be useful in shaping the general social environment to the benefit of the wealthy, whether through hiring public relations firms or donating money for universities, museums, music halls, and art galleries.

Second, certain kinds of wealth, such as stock ownership, can be used to control corporations, which of course have a major impact on how the society functions. Tables 5a and 5b show what the distribution of stock ownership looks like. Note how the top one percent's share of stock equity increased (and the bottom 80 percent's share decreased) between 2001 and 2004.

Table 5a: Concentration of stock ownership in the United States, 2001-2004

	Percent of all stock owned:	
Wealth class	**2001**	**2004**
Top 1%	33.5%	36.7%
Next 19%	55.8%	53.9%
Bottom 80%	10.7%	9.4%

Table 5b: Amount of stock owned by various wealth classes in the U.S., 2004

	Percent of households owning stocks worth:		
Wealth class	**More than $0**	**More than $5,000**	**More than $10,000**
Top 1%	93.3%	93.2%	92.8%
95-99%	93.5%	92.7%	91.0%
90-95%	87.4%	85.6%	80.3%
80-90%	84.3%	77.0%	71.5%
60-80%	65.5%	54.4%	47.1%
40-60%	46.4%	28.7%	20.3%
20-40%	31.6%	13.4%	8.3%
Bottom 20%	12.2%	2.5%	1.1%
TOTAL	48.6%	36.4%	31.1%

Both tables' data from Wolff (2007). Includes direct ownership of stock shares and indirect ownership through mutual funds, trusts, and IRAs, Keogh plans, 401(k) plans, and other retirement accounts. All figures are in 2004 dollars.

Third, just as wealth can lead to power, so too can power lead to wealth. Those who control a government can use their position to feather their own nests, whether that means a favorable land deal for relatives at the local level or a huge federal government contract for a new corporation run by friends who will hire you when you leave government. If we take a larger historical sweep and look cross-nationally, we are well aware that the leaders of conquering armies often grab enormous wealth, and that some religious leaders use their positions to

acquire wealth.

There's a fourth way that wealth and power relate. For research purposes, the wealth distribution can be seen as the main "value distribution" within the general power indicator I call "who benefits." What follows in the next three paragraphs is a little long-winded, I realize, but it needs to be said because some social scientists -- primarily pluralists -- argue that who wins and who loses in a variety of policy conflicts is the only valid power indicator (Dahl, 1957, 1958; Polsby, 1980). And philosophical discussions don't even mention wealth or other power indicators (Lukes, 2005). (If you have heard it all before, or can do without it, feel free to skip ahead to the last paragraph of this section)

Here's the argument: if we assume that most people would like to have as great a share as possible of the things that are valued in the society, then we can infer that those who have the most goodies are the most powerful. Although some value distributions may be unintended outcomes that do not really reflect power, as pluralists are quick to tell us, the general distribution of valued experiences and objects within a society still can be viewed as the most publicly visible and stable outcome of the operation of power.

In American society, for example, wealth and well-being are highly valued. People seek to own property, to have high incomes, to have interesting and safe jobs, to enjoy the finest in travel and leisure, and to live long and healthy lives. All of these "values" are unequally distributed, and all may be utilized as power indicators. However, the primary focus with this type of power indicator is on the wealth distribution sketched out in the previous section.

The argument for using the wealth distribution as a power indicator is strengthened by studies showing that such distributions vary historically and from country to country, depending upon the relative strength of rival political parties and trade unions, with the United States having the most highly concentrated wealth distribution of any Western democracy except Switzerland. For example, in a study based on 18 Western democracies, strong trade unions and successful social democratic parties correlated with greater equality in the income distribution and a higher level of welfare spending (Stephens, 1979).

And now we have arrived at the point I want to make. If the top 1% of households have 30-35% of the wealth, that's 30 to 35 times what we would expect by chance, and so we infer they must be powerful. And then we set out to see if the same set of households scores high on other power indicators (it does). Next we study how that power operates, which is what most articles on this site are about. Furthermore, if the top 20% have 84% of the wealth (and recall that 10% have 85% to 90% of the stocks, bonds, trust funds, and business equity), that means that the United States is a power pyramid. It's tough for the bottom 80% -- maybe even the bottom 90% -- to get organized and exercise much power.

Income and Power

The income distribution also can be used as a power indicator. As Table 6 shows, it is not as concentrated as the wealth distribution, but the top 1% of income earners did receive 17% of all income in the year 2003. That's up from 12.8% for the top 1% in 1982, which is quite a jump, and it parallels what is happening with the wealth distribution. This is further support for the inference that the power of the corporate community and the upper class have been increasing in recent decades.

Table 6: Distribution of income in the United States, 1982-2003

	Income		
	Top 1 percent	Next 19 percent	Bottom 80 percent
1982	12.8%	39.1%	48.1%
1988	16.6%	38.9%	44.5%
1991	15.7%	40.7%	43.7%
1994	14.4%	40.8%	44.9%
1997	16.6%	39.6%	43.8%
2000	20.0%	38.7%	41.4%
2003	17.0%	40.8%	42.2%

From Wolff (2007).

The most recent findings on income inequality come from the *New York Times'* analysis of a November, 2006, Internal Revenue Service report on income in 2004. Although overall income has grown by 27% since 1979, 33% of the gains went to the top 1%. Meanwhile, the bottom 60% were making less: about 95 cents for each dollar they made in 1979. The next 20% - those between the 60th and 80th rungs of the income ladder -- made $1.02 for each dollar they earned in 1979. Furthermore, the *Times* author concludes that only the top 5% made significant gains ($1.53 for each 1979 dollar). Most amazing of all, the top 0.1% -- that's one-tenth of one percent -- had more combined pre-tax income than the poorest 120 million people (Johnston, 2006).

A key factor behind the high concentration of income, and the likely reason that the concentration has been increasing, can be seen by examining the distribution of what is called "capital income": income from capital gains, dividends, interest, and rents. In 2003, just 1% of all households -- those with after-tax incomes averaging $701,500 -- received 57.5% of all capital income, up from 40% in the early 1990s. On the other hand, the bottom 80% received only 12.6% of capital income, down by nearly half since 1983, when the bottom 80% received 23.5%. Figure 5 and Table 7 provide the details.

Figure 5: Share of capital income earned by top 1% and bottom 80%, 1979-2003 (From Shapiro & Friedman, 2006.)

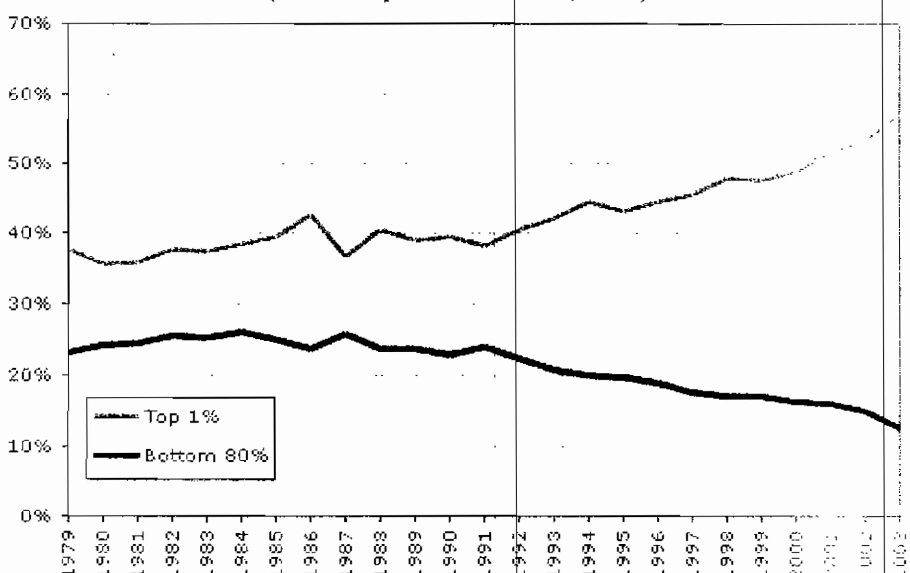


Table 7: Share of capital income flowing to households in various income categories

	Top 1%	Top 5%	Top 10%	Bottom 80%
1979	37.8%	57.9%	66.7%	23.1%
1981	35.8%	55.4%	64.6%	24.4%
1983	37.6%	55.2%	63.7%	25.1%
1985	39.7%	56.9%	64.9%	24.9%
1987	36.7%	55.3%	64.0%	25.6%
1989	39.1%	57.4%	66.0%	23.5%
1991	38.3%	56.2%	64.7%	23.9%
1993	42.2%	60.5%	69.2%	20.7%
1995	43.2%	61.5%	70.1%	19.6%
1997	45.7%	64.1%	72.6%	17.5%
1999	47.8%	65.7%	73.8%	17.0%

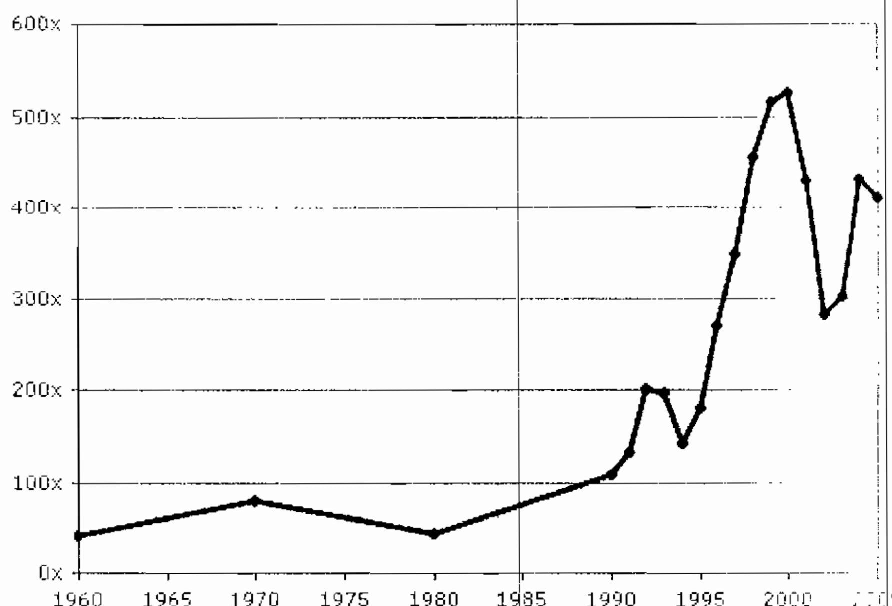
EXbDITC

2001	51.8%	67.8%	74.8%	16.0%
2003	57.5%	73.2%	79.4%	12.6%

Adapted from Shapiro & Friedman (2006).

Another way that income can be used as a power indicator is by comparing average CEO annual pay to average factory worker pay, something that Business Week has been doing for many years now. The ratio of CEO pay to factory worker pay rose from 42:1 in 1960 to as high as 531:1 in 2000, at the height of the stock market bubble, when CEOs were cashing in big stock options;. It was at 411:1 in 2005. By way of comparison, the same ratio is about 25:1 in Europe. The changes in the American ratio are displayed in Figure 6.

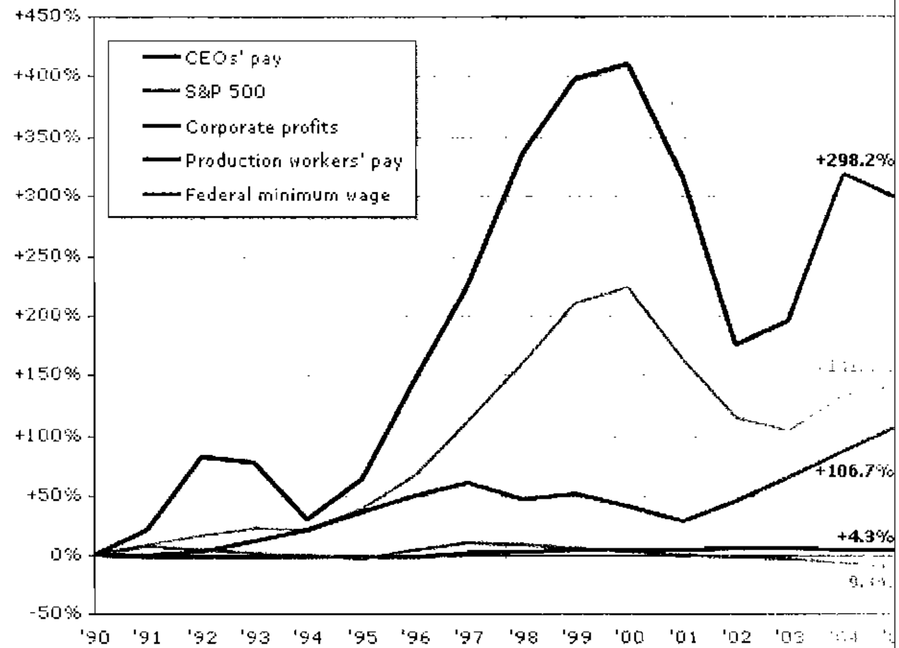
Figure 6: CEOs' pay as a multiple of the average worker's pay



It's even more revealing to compare the actual rates of increase of the salaries of CEOs and ordinary workers; from 1990 to 2005, CEOs' pay increased almost 300% (adjusted for inflation), while production workers gained a scant 4.3%. The purchasing power of the federal minimum wage actually *declined* by 9.3%, when inflation is taken into account. These startling results are illustrated in Figure 7.

Figure 7: CEOs' average pay, production workers' average pay, the S&P 500 Index, corporate profits, and the federal minimum wage, 1990-2005 (all figures adjusted for inflation)

Exhibit TC



Source: *Executive Excess 2006*, the 13th Annual CEO Compensation Survey from the Institute for Policy Studies and United for a Fair Economy.

If you wonder how such a large gap could develop, the proximate, or most immediate, factor involves the way in which CEOs now are able to rig things so that the board of directors, which they help select -- and which includes some fellow CEOs on whose boards they sit -- gives them the pay they want. The trick is in hiring outside experts, called "compensation consultants," who give the process a thin veneer of economic respectability.

The process has been explained in detail by a retired CEO of DuPont, Edgar S. Woolard, Jr., who is now chair of the New York Stock Exchange's executive compensation committee. His experience suggests that he knows whereof he speaks, and he speaks because he's concerned that corporate leaders are losing respect in the public mind. He says that the business page chatter about CEO salaries being set by the competition for their services in the executive labor market is "bull." As to the claim that CEOs deserve ever higher salaries because they "create wealth," he describes that rationale as a "joke," says the New York Times (Morgenson, 2005, Section 3, p. 1).

Here's how it works, according to Woolard:

> The compensation committee [of the board of directors] talks to an outside consultant who has surveys you could drive a truck through and pay anything you want to pay, to be perfectly honest. The outside consultant talks to the human resources vice president, who talks to the CEO. The CEO says what he'd like to receive. It gets to the human resources person who tells the outside consultant. And it pretty well works out that the CEO gets what he's implied he thinks he deserves, so he will be respected by his peers. (Morgenson, 2005.)

The board of directors buys into what the CEO asks for because the outside consultant is an "expert" on such matters. Furthermore, handing out only modest salary increases might give the wrong impression about how highly the board values the CEO. And if someone on the board should object, there are the three or four CEOs from other companies who will make sure it happens. It is a process with a built-in escalator.

As for why the consultants go along with this scam, they know which side their bread is buttered on. They realize the CEO has a big say-so on whether or not they are hired again. So they suggest a package of salaries, stock options and other goodies that they think will please the CEO, and they, too, get rich in the process. And certainly the top executives just below the CEO don't mind hearing about the boss's raise. They know it will mean pay increases for them, too. (For an excellent detailed article on the main consulting firm that helps CEOs and other corporate executives raise their pay, check out the New York Times article entitled "America's Corporate Pay Pal", which supports everything Woolard of DuPont claims and adds new information.)

There's a much deeper power story that underlies the self-dealing and mutual back-scratching by CEOs now carried out through interlocking directorates and seemingly independent outside consultants. It probably involves several factors. At the least, on the worker side, it reflects an increasing lack of power following the all-out attack on unions in the 1960s and 1970s, which is explained in detail by the best expert on recent American labor history, James Gross (1995), a labor and industrial relations professor at Cornell. That decline in union power made possible and was increased by both outsourcing at home and the movement of production to developing countries, which were facilitated by the break-up of the New Deal coalition and the rise of the New Right (Domhoff, 1990, Chapter 10). It signals the shift of the United States from a high-wage to a low-wage economy, with professionals protected by the fact that foreign-trained doctors and lawyers aren't allowed to compete with their American counterparts in the direct way that low-wage foreign-born workers are.

On the other side of the class divide, the rise in CEO pay may reflect the increasing power of chief executives as compared to major owners and stockholders in general, not just their increasing power over workers. CEOs may now be the center of gravity in the corporate community and the power elite, displacing the leaders in wealthy owning families (e.g., the second and third generations of the Walton family, the owners of Wal-Mart). True enough, the CEOs are sometimes ousted by their generally go-along boards of directors, but they are able to make hay and throw their weight around during the time they are king of the mountain. (It's really not much different than that old children's game, except it's played out in profit-oriented bureaucratic hierarchies, with no other sector of society, like government, willing or able to restrain the winners.)

The claims made in the previous paragraph need much further investigation. But they demonstrate the ideas and research directions that are suggested by looking at the wealth and income distributions as indicators of power.

Further Information

- The Wolff paper is on line at http://www.levy.org/default.asp?view=publications_view&pubID=fca3a440ee
- The Census Bureau report is on line at http://www.census.gov/hhes/www/wealth/wealth.html
- The World Institute for Development Economics Research (UNU-WIDER) report on wealth throughout the world is available at http://tinyurl.com/yd4hh4 (.pdf, 1167K); see the WIDER site for more about their research.
- For good summaries of other information on wealth and income, and for information on the estate tax, see the United For A Fair Economy site at http://www.faireconomy.org/
- The *New York Times* ran an excellent series of articles on executive compensation in the fall of 2006 entitled "Gilded Paychecks." Look for it by searching the archives on NYTimes.com.
- The Shapiro & Friedman paper on capital income, along with many other reports on the federal budget and its consequences, are available at the Center on Budget and Policy Priorities site: http://www.cbpp.org/pubs/recent.html
- The AFL-CIO maintains a site called "Executive Paywatch," which summarizes information about the salary disparity between executives and other workers: http://www.aflcio.org/paywatch/
- More raw numbers about the unequal wealth distribution in the U.S. are available at Inequality.org: http://www.inequality.org/facts.html
- To see a video of Ed Woolard giving his full speech about executive compensation, go to http://www.compensationstandards.com/nonmember/EdWoolard_video.asp (WMV file, may not be viewable on all platforms/browsers)

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Exhibit D

YAHOO! NEWS

PRINT Back to story

Bernanke says Fed can take on supercop role

By JEANNINE AVERSA, AP Economics Writer
1 hr 35 mins ago

WASHINGTON – Federal Reserve Chairman Ben Bernanke ran into skepticism Tuesday from lawmakers wary of expanding the Fed's duties to police big financial companies. They argued that the Fed failed to spot problems that led to the financial crisis in the first place.

"The Fed has made some big mistakes," said Rep. Spencer Bachus, R-Ala., ranking member of the House Financial Services Committee.

An Obama administration proposal to make the Fed the supercop of globally interconnected financial companies would be "just inviting a false sense of security that inevitably will be shattered at the expense of the taxpayer," Bachus warned.

Bernanke countered that the administration's proposal would be a "modest reorientation" of the Fed's powers, not a great expansion of them.

The Fed boss sought to assure investors and Congress that the central bank will be able to reel in its extraordinary economic stimulus and prevent a flare up of inflation once a recovery is firmly rooted. Still, any such steps will be far off in the future. The central bank's focus remains "fostering economic recovery," he said.

Bernanke also worked to beat back an administration proposal to create a new consumer protection regulator for financial services and strip some of those duties from the central bank. The House panel delayed a committee vote on that legislation until September.

Consumer groups and lawmakers have blamed the Fed for failing to crack down early on dubious mortgages practices that fed the housing boom and figured into its collapse. Later this week, the Fed will issue a proposal to boost disclosures on mortgages and home equity lines of credit. It also will include new rules governing the compensation of mortgage originators.

Bernanke also argued against congressional proposals to let the Government Accountability Office, Congress' investigative arm, audit the central bank. He feared that audits that delve into the Fed's interest-rate decisions could compromise its independence in setting interest-rate policies.

"A perceived loss of monetary policy independence could raise fears about future inflation," he warned.

Rep. Ron Paul, R-Texas, a frequent Fed critic, rejected that argument and said the Fed already makes political calculations.

Exhibit D

"Just the fact that (the Fed) can issue a lot of loans and special privileges to banks and corporations," Paul said. "That's political."

Rep. Bill Posey, R-Fla., who wants the Fed to be more open, argued that some people rightly say "you can find out more about the operations of the CIA, than the Fed. The public has the right to know."

Bernanke's term expires early next year, and President Barack Obama will have to decide whether to reappoint him. The Fed chief's innovative policies have been credited with pulling the economy from the edge of the abyss last year.

But those actions also have touched off criticism about putting taxpayers at risk and whether the government should be cleaning up Wall Street messes.

Bernanke again pledged to keep its key bank lending rate at a record low near zero for an "extended period." Economists predict rates will stay at record lows through the rest of this year.

Laying out a plan now to unwind the Fed's stimulus could give Bernanke more leeway to hold rates at record lows to brace the economy. It could ease investors' fears that the Fed's aggressive steps to end the longest recession since World War II could spur inflation later on.

"It is important to assure the public and the markets that the extraordinary policy measures we have taken in response to the financial crisis and the recession can be withdrawn in a smooth and timely manner as needed, thereby avoiding the risk that policy stimulus could lead to a future rise in inflation," Bernanke said. "We are confident that we have the necessary tools to implement that strategy when appropriate."

But House committee chairman Barney Frank, D-Mass., said it is important that the Fed not take those actions "prematurely" and snuff out a recovery.

Nigel Gault, economist at IHS Global Insight, said Bernanke wanted to send Congress a clear message: "Our monetary exit strategy is ready. Don't try to interfere with it."

On Wall Street, bond investors took comfort in Bernanke's remarks, pushing up Treasury prices for a second straight day. The Dow Jones industrial average gained nearly 68 points to 8,915.94, the seventh straight advance for the blue chips. Broader indices also finished higher.

To revive the economy, the Fed has plowed trillions into the financial system in an effort to drive down rates on mortgages and other consumer debt. It also has created programs to bust through credit clogs, a key ingredient in turning the economy around.

Eventually, the Fed will need to soak up that money.

Besides raising its key bank lending rate, the Fed can raise the rate it pays banks on reserve balances held at the central bank, Bernanke said. That would give banks an incentive to keep their money parked there, rather having it flow back into the economy, where it can stoke inflationary pressures.

The Fed also can drain money from the financial system by selling securities from its portfolio with an

Exhibit D

agreement to buy them back at a later date. Or it can sell securities outright.

Steering the economy from recession to recovery will be a delicate move for Bernanke — economically and politically.

Bernanke repeated the Fed's forecast that the economy should start growing again in the second half of this year. But he warned that growth would be slight, leading to higher unemployment.

The nation's unemployment rate climbed to a 26-year high of 9.5 percent in June. The Fed says it could rise as high as 10.1 percent this year and stay elevated into 2011. The post-World War II high was 10.8 percent at the end of 1982.

"We have a very long haul" back to full economic health, Bernanke told lawmakers.

Exhibit R

USA TODAY

Traditional company pensions are going away fast

By Sandra Block, USA TODAY

Nine years ago, Devon Group, a small public relations and marketing group based in Middletown, N.J., began offering a traditional pension plan to its employees.

Business was booming, and the costs of offering the benefit "seemed very reasonable," says Jeanne Achille, Devon's chief executive officer. A pension plan also provided some valuable tax benefits for the firm, she says.

But after the economy deteriorated last year, "We realized that this was going to be too rich a benefit for us to continue," Achille says. "You're required to fund the plan every year, regardless of whether your profits are where you'd like them to be." Rather than continue funding the plan, Devon Group voluntarily terminated its pension and sent each employee a check for the amount accrued.

SHAKY GUARANTEE: Pension insurance agency is in the red

The number of companies offering traditional defined benefit pension plans was shrinking even before the recession, but the downturn has accelerated the decline. Since the beginning of the year, at least 20 companies have frozen their defined pension plans, exceeding the number of plan freezes for all of 2008. A recent survey by Watson Wyatt found that, for the first time, the majority of *Fortune* 100 companies are offering new salaried employees only one type of retirement plan: a 401(k) or similar "defined contribution" plan.

The rapid disappearance of traditional pensions comes at a time when many workers have seen their retirement savings eviscerated by the bear market. The average 401(k) balance plummeted 27% last year, according to Fidelity Investments. While younger workers have time to make up the difference, workers in their 50s and 60s will have a hard time recovering their losses before retirement.

"The market collapse has just proven how fundamentally flawed 401(k) plans are as a vehicle to provide retirement income," says Karen Friedman, policy director for the Pension Rights Center.

But increasingly, employees can't rely on traditional pensions, either. Reasons they're endangered:

•**Declining profits.** In late April, Lockheed Martin said its first-quarter earnings fell 6.7% because rising pension costs outweighed an increase in sales. The defense contractor plans to continue its pension plan for existing participants, a company spokesman said.

But some plan sponsors fear they'll have to close plants or take other drastic actions unless they lower their pension costs, says Lynn Dudley, senior vice president, policy, for the American Benefits Council, a trade group for companies that offer employee benefits. Freezing a plan, she says, "is better than laying people off."

•**New funding requirements.** Investment losses in 2008 shrank the assets of the nation's largest pension plans to 79% of projected liabilities, down from 109% at the end of 2007, according to Watson Wyatt. At the same time, pension plan sponsors are facing stricter funding requirements to strengthen the long-term health of pension plans.

Those requirements, combined with the investment losses, are forcing companies to shovel more money into their pension plans at a time when they can least afford it, says Dana Battle, director of tax policy for the National Association of Manufacturers.

"The cost of that is jobs, a reduction in capital expenditures, a reduction in benefits, and unfortunately, that includes plan freezes," she says.

NAM and other groups representing plan sponsors are pressing lawmakers for temporary relief from the funding rules. So far, Congress hasn't acted. Some Democratic lawmakers and pension-rights advocates have proposed tying funding relief to a guarantee that a company won't freeze its pension for at least five years.

"If we do give employers more time to fund their plans, there should be something employers promise in return," Friedman says.

Battle says companies wouldn't accept such conditions because they would limit their ability to manage their businesses. In addition, she says, forcing companies to continue offering a pension would set a dangerous precedent, because this nation's employer-sponsored retirement system has always been voluntary.

Concerns that taxpayers could be on the hook for underfunded pension plans could also complicate efforts to ease the funding requirements.

On Wednesday, the Pension Benefit Guaranty Corp., which insures pensions for 44 million retirees, reported a $33.5 billion deficit for the first half of fiscal 2009, up from $11 billion in fiscal 2008. That shortfall, the largest in the agency's 35-year history, could increase dramatically if the agency is forced to take over pension obligations for General Motors and Chrysler. The PBGC says it has enough money to cover current liabilities.

•**Competitive pressures.** Even if Congress approves funding relief, some companies may go ahead and freeze their plans because their competitors aren't offering pensions, says Scott Jarboe, senior retirement consultant in for Mercer, a human resources consulting firm.

Health insurance giant Cigna, which announced this month that it will freeze its pension July 1, said in a statement its retirement package was "significantly higher" in value than plans provided by its competitors. "While the company continues to be financially stable, making this change will improve our competitive cost position," Cigna said.

•**Lack of interest.** When Devon Group adopted a traditional pension, the company thought it was offering a valuable benefit for its employees, chief executive Achille says. But she soon learned that young job candidates were more interested in a 401(k) plan, because they assumed they would change jobs several times during their careers. The company

Exhibit R

plans to offer a 401(k) plan later this year.

Company 401(k) plans offer "visibility and portability," says Alan Glickstein, senior retirement consultant at Watson Wyatt. "Everyone understands what an account is worth. With a traditional defined benefit plan, it's hard for employees to really understand their value."

However, huge losses in 401(k) plans — readily apparent to anyone who looks at an account statement — could change employees' attitudes toward traditional pensions, says Norman Stein, professor at the University of Alabama School of Law and a pension expert. In this environment, he says, "It shouldn't be a tough sell to get employees to say these are actually pretty valuable plans."

Older workers hardest hit

When a company freezes its pension, employees get to keep the benefits they've already accrued, but they usually won't earn any more.

That makes pension freezes particularly hard on older employees, who have less time to make up the difference by saving more. In addition, traditional pensions "are worth a lot more at the end of your career than at the beginning of your career," Friedman says. "If the freeze comes in your 40s and 50s, you end up with a much smaller benefit."

John Gaz, 46, a flight simulator technician for Delta Air Lines, saw his pension frozen in 2005. While the company upped matching contributions to his 401(k) plan, Gaz says he'll never be able to contribute enough to make up for the loss of his benefits. Gaz plans to leave his job at Delta at age 52, the first year he'll be eligible to draw money from his pension. "I will walk away from the airline industry, because there's nothing to keep me here anymore," he says.

In the past, most pension freezes were accompanied by improvements to the company's 401(k) plan. But in these tight-fisted times, that's no longer the case. Retail chain Talbots froze its traditional pension this year and also suspended matching contributions to its 401(k) plan. Similarly, Boise Cascade froze its pension plan for salaried employees and suspended matching contributions during the first quarter.

While 401(k) plans are considered less costly than traditional pensions, they're not immune from cutbacks during tough times. Since the beginning of the year, more than 200 employers have reduced or suspended contributions to their 401(k) plans, according to the Pension Rights Center.

Hybrid pensions could be coming

The cutbacks in 401(k) matches and pension freezes reflect companies' struggles to survive during extraordinarily difficult economic times, Glickstein says. And with unemployment approaching 9%, he says, "People aren't going to be haggling over benefits if they can keep their job."

But Glickstein says he's not ready to write the obituary for pension plans.

When the economy recovers, he predicts, more companies will consider adopting a cash-balance pension plan, a hybrid pension that combines features of a 401(k) plan and a traditional pension. These plans can play a valuable role in encouraging older workers to retire, an important part of workforce management, Glickstein says.

Millions of workers are postponing retirement because they're afraid they can't afford to stop working.

"If people can't leave when they're ready to leave and you're ready to have them leave," Glickstein says, "that's an issue."

Find this article at:
http://www.usatoday.com/money/perfi/retirement/2009-05-21-traditional-pensions-dying_N.htm

☐ Check the box to include the list of links referenced in the article.

Exhibit W pg 1

Panic of 1796-1797

From Wikipedia, the free encyclopedia

The **Panic of 1796-1797** was a series of downturns in Atlantic credit markets that led to broader commercial downturns in both Britain and the United States. In America, problems first emerged with the Bubble of land speculation bursting in 1796. The crisis deepened into a broader depression when the Bank of England, which faced insolvency due to the exploding cost of the French Revolutionary Wars, suspended specie payments in February 1797. In combination with the unfolding collapse of the U.S. real estate market, the Bank of England's action had developing disflationary repercussions in the financial and commercial markets of the coastal United States and the Caribbean through the turn of the century.

By 1800, the crisis had resulted in the imprisonment of many American debtors including the famed financier of the revolution Robert Morris and his partner James Greenleaf who were investors in a large tract of land in the Adirondacks of upstate New York.[1][2] James Wilson was forced to spend the rest of his life literally fleeing from creditors until he died at a friend's home in Edenton, North Carolina.[3] George Meade, the grandfather of the American Civil War general George Gordon Meade was ruined by investments in Western land deals and died in bankruptcy due to the panic.[4] The scandals associated with these and other incidents resulted in the U.S. Congress passing the Bankruptcy Act of 1800, which basically ended this panic; the Bankruptcy Act of 1800 would later be repealed after its three-year duration expired in 1803.[5]

Britain's economy was also hurt, as Britain was fighting France in the French Revolutionary Wars.

See also

- Great Depression

Further reading

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Exhibit W pg2

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Retrieved from "http://en.wikipedia.org/wiki/Panic_of_1796-1797"
Categories: 1797 | Economic disasters in the United States | Economic history of the United Kingdom | Financial crises | History stubs | Economics and finance stubs

The Panic of 1819

The Downturn of America's First Economic Cycle

© Isaac M. McPhee

Apr 12, 2008

Today, Americans have grown familiar with the ebb and flow of the economy. The panic of 1819 can be pointed to as America's formal introduction into this endless cycle.

Examples of the economic princple often referred to as the "boom/bust" economy are very prevalent in the relatively short history of America. In recent days, weeks and months, particularly, Americans have become accutely aware that a booming economy is often followed by a slower one. To think that this is something new, however, shows a blatant disregard of history.

The first example of such an economic downturn took place in the earliest years of the new nation, resulting in a depression during the 1780's throughout the newly-united States. The reasons for this are fairly self-evident: War debts, fledgling government, sudden lack of overseas funding...

The Buildup of the Economy

With the sound fiscal policies of Alexander Hamilton, America's first Secretary of the Treasury under George **Washington**, the economic policy of the United States began to build itself up, developing a national bank (which Hamilton correctly figured would stabilize the economy, limit the amount of printed money (to reduce inflation), and aid the growth of American business.

Those opposed to the national bank saw it as a blatant disregard of state sovereignty and contrary to the implicity principles of the constitution. Thus, after the first bank's charter expired in 1811, President Madison refused to renew it.

As America's economy began to wane under the monetary strains of the War of 1812, however, Madison did eventually come to realize the necessity of having a national bank, and allowed a replacement to be chartered in 1814, enabling America's post-war economy to boom (just as it has after other wars since).

As Madison's time in office expired and**James Monroe's** first term begain (in 1817), the American economy was booming.

Unfortunately, while the bank enabled several years of economic "boom," there were several areas of fiscal irresponsibility throughout the country which precipitated an impending downtum.

For one thing, the high demand of American products (a major cause of economic growth) had allowed many Americans to achieve a certain amount of financial security, and many of them began to invest in buying up extravegant amounts of western lands - more than they could practically afford. To encourage this, the

Exhibit W pg4

government sold much of this land on credit.

Around 1819, the rapid market growth could not be sustained any longer and the economic growth began to slow - banks began to demand payment of the government loans issued to finance the war of 1812, initiating a period of economic contraction. This led, in some peoples' estimates, to a wave of bankruptcies and bank closures.

Along with the 1819 slowdown, many of the new western landowners suddenly found themselves unable to pay their debts to the government and banks, causing the slowdown to worsen considerably and foreclosures across the nation were added to the problem.

Resolution

Americans during this first national downturn failed to agree on any specific remedy to ease the recession (which should sound familiar to both those living today, and to those during any other major downturn in American history).

Northern manufacturers proposed a higher tariff in order to heighten revenues on imported goods).

Southern farmers proposed a reduced tariff in order to promote free trade to stimulate the economy.

Some opted for direct financial relief from the government, while others simply called for restrictions of bank lending or monetary expansion.

President Monroe responded conservatively to the panic, offering only to procede conservatively in order to provide sound fiscal policy in order to aid growth as much as possible.

Congress took a bit more action in the form of the Land Act of 1820 and the Relief Act of 1821 (both of which were signed by Monroe).

The land act lowered the cost and purchase requirements of western land in order to continue to encourage purchase and growth.

The relief act enabled the endebted wester land owners who could not pay their loans to simply return the land and garner a credit for themselves. These acts in the end proved to be moderately successful, and within a few years, the panic had waned, sending America into still another cycle of growth which would last until the panic of 1837.

Knowing the history of the American economy is crucial to provide a context to what is happening in today's world. Knowing that economic ups and downs are simply a part of history, and that each one can be learned from in order to provide help in dealing with the next, should truly prove beneficial to all concerned Americans.

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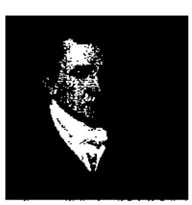

President James Monroe

Exhibit W pg 5

1932 and 1936

I killed the Bank

by **Queequeg**

Thu Dec 07, 2006 at 07:17:33 PM PDT

When asked what his greatest accomplishment had been during his two terms as President, Andrew Jackson replied "I killed the Bank." He was talking about the "Second Bank of the United States", which was our country's second central bank.

So, why was Jackson so passionate about terminating the central bank? And why did he believe that central banks were so insidious? And why should you care?

A couple of reasons you might be interested to know about what motivated Jackson:

1. Though Jackson ended the central bank, it was re-created in 1913 under a new innocuous-sounding name "The Federal Reserve", which is still with us today.

2. Also, it's interesting to note that Andrew Jackson's populist message relating to banking helped to launch the Democratic party.

> **http://en.wikipedia.org/...**
> Andrew Jackson, outmaneuvered for the Presidency in 1824, combined with Martin Van Buren to form a coalition that defeated Adams in 1828. That new coalition became a full-fledged party that (by 1834) called itself Democrats.

Queequeg's diary :: ::

To find out what motivated Jackson, read all about Jackson's struggle to kill the Bank, in the transcript that I created below (scroll down a ways). This transcript comes from "The Money Masters", which is a 3-hour video that talks about the history of central banking.
The Money Masters - Part 1 of 2 - the transcript begins at minute marker 1:00:50
The Money Masters - Part 2 of 2
wikipedia article - The Money Masters - Video was made in 1995.
(Update 05apr2009 - A little over a year after this blog entry was made, the wikipedia article was deleted. This link is to a copy of the article hosted by a user named Xiutwel.)

Here's another good video, which is similar to "The Money Masters". The first part of this video focusses on the creation of the income tax in 1913, which was also the same year that the Federal Reserve was created. Then, the video moves on to many other subjects, and includes a clip of the Daily Show with Paul Krugman about how the credit card companies got the Bankruptcy Bill passed.
America Freedom to Fascism - authorized version

Though the Federal Reserve has a ".gov" web address, it is actually a private bank dedicated only to generating profits for its owners.
http://www.federalreserve.gov/ - quote is taken from upper right-hand corner of the website

> The Federal Reserve, the central bank of the United States, was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

(Update 05apr2009 - I noticed that they moved the quote to the left side of the website and they removed the phrase "founded by Congress in 1913", perhaps because letting you know that it was founded by Congress may lead you to think it could be removed by Congress.)

Transcript from the Money Masters - This is just the part about Andrew Jackson. "I Killed the Bank."
1:00:50

Exhibit W pg 6

15. Second Bank of the U.S.

Meanwhile back in Washington, **In 1816**, just one year after Waterloo and the Rothschild's alleged takeover of the Bank of England, **the American Congress passed a bill permitting yet another privately owned central bank. This bank was called the Second Bank of the United States.** The new bank's charter was a copy of the previous banks. The U.S. government would own 20% of the shares of the bank. Of course, the Federal share was paid by the Treasury up front into the Bank's coffers. Then, through the magic of fractional reserve lending, it was transformed into loans to private investors who then bought the remaining 80% of the shares. Just as before, the primary stock holders remained a secret, but it is known that the largest block of shares, about 1/3rd of the total, were sold to foreigners. As one observer put it, it is certainly no exaggeration to say that the Second Bank of the United States was rooted as deeply in Britain as it was in America. So, by 1816, some authors claim, the Rothschilds had taken control of the Bank of England and backed the new privately owned central bank in America as well.

16. Andrew Jackson

After 12 years of manipulations of the US economy on the part of the Second Bank of the U.S., the American people had had just about enough. Opponents of the Bank, nominated a dignified senator from Tennessee named Andrew Jackson, the hero of the Battle of New Orleans, to run for President. This is his home, "The Hermitage". No one gave Jackson a chance initially. The Bank had long ago learned how the political process could be controlled with money. To the surprise and dismay of the "money changers", Jackson was swept into office in 1828.

Jackson was determined to kill the Bank at the first opportunity. And he wasted no time in trying to do so. But the Bank's 20-year charter didn't come up for renewal until 1836, the last year of his second term, if he could survive that long. During his first term, Jackson contented himself with rooting out the Bank's many minions from government service. He fired 2,000 of the 11,000 employees of the federal government.

In 1832, with his re-election approaching, the Bank struck an early blow, hoping that Jackson would not want to stir up controversy. They asked Congress to pass a renewal bill 4 years early. Naturally, Congress complied and sent it to the President for signing, but Jackson weighed-in with both feet. "Old Hickory", never a coward, vetoed the bill. His veto message is one of the great American documents. It clearly lays out the responsibility of the federal government towards its citizens, rich and poor.

> "It is not our own citizens only who are to receive the bounty of our Government. More than eight millions of the stock of this bank are held by foreigners.... Is there no danger to our liberty and independence in a bank that in its nature has so little to bind it to our country? ...."
>
> "Controlling our currency, receiving our public moneys, and holding thousands of our citizens in dependence .... would be more formidable and dangerous than a military power of the enemy."
>
> "If [government] would confine itself to equal protection, and, as Heaven does its rains, shower its favor alike on the high and the low, the rich and the poor, it would be an unqualified blessing. In the act before me, there seems to be a wide and unnecessary departure from these just principles."
>
> -- Andrew Jackson

Later that year, in July 1832, Congress was unable to override Jackson's veto. Now, Jackson had to stand for re-election. Jackson took his argument directly to the people. **For the first time in US history, Jackson took his Presidential campaign on the road. Before then, Presidential candidates stayed at home and looked Presidential. His campaign slogan was "Jackson and no Bank".** The National Republican party ran Senator Henry Clay against Jackson. Despite the fact that the bankers pored over 3 million dollars into Clay's campaign, Jackson was re-elected by a landslide in November of 1832.

Despite his Presidential victory, Jackson knew the battle was only beginning. "The hydra of corruption is only scotched, not dead", said the newly elected President. Jackson ordered his new Secretary of Treasury, Lewis McClean, to start removing the government's deposits from the Second Bank and start placing them in state banks.

But McClean refused to do so. Jackson fired him and appointed William J Duane as the new Secretary of the Treasury. Duane also refused to comply with the President's requests and so Jackson fired him as well. And then appointed Roger B Teney to the office. Teney did withdrawal government funds from the Bank starting on October 1st, 1833. Jackson was jubilant. "I have a chain. I'm ready with screws to

Exhibit W pg 8

draw every tooth and then the stumps." But the Bank was not yet done fighting. Its head Nicholas Biddle used its influence to get the Senate to reject Teney's nomination.

Then, in a rare show of arrogance, Bittle threatened to cause a depression, if the Bank was not rechartered.

> "This worthy President thinks that because he has scalped Indians and imprisoned Judges, he is to have his way with the Bank. He is mistaken."
> -- Nicholas Biddle

Next, in an unbelievable fit of honesty for a central banker, Biddle admitted that he was going to make money scarce to force Congress to restore the Bank.

> "Nothing but widespread suffering will produce any effect on Congress.... Our only safety is in pursuing a steady course of firm restriction - and I have no doubt that such a course will ultimately lead to restoration of the currency and the recharter of the Bank."
> -- Nicholas Biddle

What a stunning revelation. Here was the pure truth, revealed with shocking clarity. Biddle intended to use the money-contraction power of the Bank to cause a massive depression until America gave in. Unfortunately, this has happened time and time again throughout US history, and is about to happen again, in today's world.

Nicholas Biddle made good on his threat. The Bank sharply contracted the money supply by calling in old loans and refusing to extend new ones. A financial panic ensued, followed by a deep depression. Naturally, Biddle blamed Jackson for the crash, saying that it was caused by the withdrawal of federal funds from the Bank.

Unfortunately, his plan worked well. Wages and prices sagged. Unemployment soared, along with business bankruptcies. The nation quickly went into an uproar. Newspaper editors blasted Jackson in editorials. The Bank threatened to withhold payments, which then could be made directly to key politicians for their support. Within only months, Congress assembled in what was called the "Panic Session."

Six months after he had withdrawn funds from the Bank, Jackson was officially censured by a resolution that passed the Senate by a vote of 26 to 20. It was the first time that a President had ever been censured by Congress. Jackson lashed out at the Bank. "You are a den of vipers. I intend to rout you out and by eternal God, I will rout you out."

America's fate teetered on a knife edge. If Congress could muster enough votes to ov[...]on's veto, the Bank would be granted another 20-year monopoly or more over Americ[...] to consolidate its already great power.

Then, a miracle occurred. The governor of Pennsylvania came out supporting Jackson and strongly criticized the Bank. On top of that, Biddle had been caught boasting in public about the Bank's plan to crash the economy.

Suddenly the tide shifted. **In April of 1834, the House of Representatives voted 134 to 82 against rechartering the Bank.** This was followed up by an even more lopsided vote to set up a special committee to investigate whether the Bank had caused the crash.

When the investigating committee arrived at the Bank's door in Phillidelphia, armed with a subpoena to examine the books, Biddle refused to give them up, nor would he allow inspection of correspondence with Congressmen, relating to their personal loans and advances he made to them. He also refused to testify before the committee back in Washington.

In January 8th, 1835, Jackson paid off the final installment on the national debt, which had been necessitated by allowing the banks to issue currency for government bonds, rather than simply issuing treasury notes without such debt. **He was the only President to ever pay off the debt.**

A few weeks later, on January 30th, 1835, an assassin by the name of Richard Lawrence, tried to shoot President Jackson. But by the grace of God, both pistols misfired. Lawrence was later found not guilty by reason of insanity. After his release, he bragged to friends that powerful people in Europe had put him up to the task and promised to protect him if he were caught.

The following year, when its charter ran out, the Second Bank of the United States, ceased functioning as the nation's central bank. Biddle was later arrested and charged with fraud. He was tried and acquitted, but died shortly thereafter, while still tied up in civil suits.

After his second term as President, Jackson retired here to the Hermitage outside of Nashville to live out

his life. He is still remembered here for his determination to kill the Bank. In fact, he killed it so well that it took the "money changers" 77 years to undo the damage.

When asked what his most important accomplishment had been, Jackson replied, "I killed the Bank."

17. Abe Lincoln

Unfortunately, even Jackson failed to grasp the entire picture and its root cause. Although Jackson had killed the central bank, the most insidious weapon of the "money changers" - fractional reserve banking - remained in use by the numerous state-chartered banks. This fueled economic instability in the years before the Civil War. Still, the central bankers were out and as a result, America thrived as it expanded westward.

During this time, the principal "money changers" struggled to regain their lost centralized power, but to no avail. Then, finally they reverted to the old central banker's formula: war to create debt and dependency. **If they couldn't get their central bank any other way, America could be brought to its knees by plunging it into a Civil War, just as they had done in 1812, after the First Bank of the United States was not re-chartered.**

Poll

Should we terminate the Federal Reserve?

- Yes
- No
- Other (i.e. not sure, depends, etc)

Vote | **531** votes | **Results**

Tags: Federal Reserve, Second Bank, income tax, Andrew Jackson, corruption, plutocracy, oligarchy, tyranny, corporatism, fascism, Concentration of Wealth (all tags) :: Previous Tag Versions

Permalink | **26** comments

Comments: Expand Shrink Hide (Always) : Indented Flat (Always)

Mojo Nixon would be proud. (3+ / 0-)

He Hates Banks.

klaatu barada nikto

by JohnGorO *on* Thu Dec 07, 2006 at 07:33:01 PM PDT

He smote the bank!?! (1+ / 0-)

Interesting. Something I hadn't known.

Thanks for the history lesson.

Life is just one damned thing after another. Elbert Hubbard US author (1856 - 1915)

by **x** *on* **Thu Dec 07, 2006 at 07:52:33 PM PDT**

[Parent]

3 hour video on the history (3+ / 0-)

of Central Banking?

That's a goddamn "Girl's Gone Wild" beach party!!

klaatu barada nikto

by JohnGorO *on* Thu Dec 07, 2006 at 07:36:26 PM PDT

No, it's not a beach party with attractive people (7+ / 0-)

But it's an important subject though. People get passionate about taxes and CAFTA and

Exhibit W pg 9

Panic of 1857

Social Issues

The Panic of 1857 abruptly ended the boom times that followed the Mexican War.

The immediate event that touched off the panic was the failure of the New York branch of the Ohio Life Insurance and Trust Co., a major financial force that collapsed following massive embezzlement. Hard on the heels of this event arrived other setbacks that shook the public's confidence:

- The decision of British investors to remove funds from American banks raised questions about overall soundness
- The fall of grain prices spread economic misery into rural areas
- Manufactured goods began to pile up in warehouses, leading to massive layoffs
- Widespread railroad failures occurred, an indication of how badly over-built the American system had become
- Land speculation programs collapsed with the railroads, ruining thousands of investors.

Confidence was further shaken in September when 30,000 pounds of gold were lost at sea in a shipment from the San Francisco Mint to eastern banks. More than 400 lives were lost as well as public confidence in the government's ability to back its paper currency with specie.

In October, a bank holiday was declared in New England and New York in a vain effort to avert runs on those institutions. Eventually the panic and depression spread to Europe, South America and the Far East. No recovery was evident in the United States for a year and a half and the full impact did not dissipate until the Civil War.

As an unfortunate sidelight, the South was hurt less than the other regions of the country and many there concluded that the superiority of their economic system had been vindicated.

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http://www.americaslibrary.gov/cgi-bin/page.cgi/jb/reform/goldlost_1

Panic of 1837
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A Brief History of Bankruptcy Law

by
Professor Charles J. Tabb

These materials are derived from the article by Professor Tabb, *The History of the Bankruptcy Laws in the United States*, 3 Am. Bankr. Inst. L. Rev. 5-51 (1995).

Table of Contents

Exhibit W pg 11

1896

The Depression of 1893

Jacob Coxey and his son, "Legal Tender" Coxey from Coxey's magazine "Cause and Cure," December 1897.

In its impact on industry and employment, the depression of the 1890s was on a par with the Great Depression of the 1930s. In some places it began before 1890, in a deep agricultural crisis that hit Southern cotton-growing regions and the Great Plains in the late 1880s. The shock hit Wall Street and urban areas in 1893, as part of a massive worldwide economic crisis. A quarter of the nation's railroads went bankrupt; in some cities, unemployment among industrial workers exceeded 20 or even 25 percent.

Americans of different incomes experienced the depression in markedly different ways. In the bitter winter months, some poor families starved and others became wanderers. Unemployed "tramps" crisscrossed the countryside, walking or hiding on freight trains. Many appeared at the back doors of middle-class houses, pleading for work or food.

Despite the obvious structural crisis, many Americans blamed those who could not find work, accusing them of laziness or begging. Some among the unemployed blamed themselves, and stories of despair and suicide ran almost daily in many newspapers.

Many in the comfortable classes feared violence and anarchy. A series of bitter labor conflicts--such as the Homestead

Jacob Coxey's Address on Behalf of the Industrial Army

The Constitution of the United States guarantees to all citizens the right to peaceably assemble and petition for redress of grievances, and furthermore declares that the right of free speech shall not be abridged.
We stand here to-day to test these guaranties of our Constitution. We choose this place of assemblage because it is the property of the people. . . . Here rather than at any other spot upon the continent it is fitting that we should come to mourn over our dead liberties and by our protest arouse the imperiled nation to such action as shall rescue the Constitution and resurrect our liberties. Upon these steps where we stand has been spread a carpet for the royal feet of a foreign princess, the cost of whose lavish

Exhibit W pg 12

strike at the Carnegie Steel Works, and the Pullman strike in Chicago--captured the nation's attention before and during the depression itself. In such situations, many respectable Americans blamed violence on the strikers, though others sympathized with the plight of the underpaid and unemployed.

In 1894, Ohio businessman Jacob Coxey organized an "Industrial Army" to protest the federal government's inaction in the face of economic crisis. Coxey proposed many programs that would later win acceptance during the New Deal, but which were considered extremely radical in the 1890s. Most notably he advocated the creation of government jobs, through which unemployed men could improve the nation's roads and build public works, while also supporting their families. This project, he argued, could be financed through the issue of government bonds.

Coxey's Army picked up many allies and sympathizers on its march to Washington, but it also stirred panic among those who feared an insurrection of the unemployed. When the members of the Army reached Washington they were driven from the Capitol lawn. Coxey, who tried to read a prepared statement on the Capitol steps, was jailed for trespassing, though allies later read his speech into the Congressional Record. Coxey, who founded the newspaper Sound Money, went on to run for U.S. Representative from Ohio in 1894 (he lost to a Republican) and to serve as a delegate to the 1896 Populist convention. Because of his high profile in the party, many commentators associated Populism with "Coxeyism."

The depression remained severe in 1896, making economic conditions a crucial issue of the campaign. The

entertainment was taken from the public Treasury without the consent or the approval of the people. Up these steps the lobbyists of trusts and corporations have passed unchallenged on their way to committee rooms, access to which we, the representatives of the toiling wealth-producers, have been denied.
We stand here to-day in behalf of millions of toilers whose petitions have been buried in committee rooms, whose prayers have been unresponded to, and whose opportunities for honest, remunerative, productive labor have been taken from them by unjust legislation, which protects idlers, speculators, and gamblers: we come to remind the Congress here assembled of the declaration of a United States Senator, "that for a quarter of a century the rich have been growing richer, the poor poorer and that by the close of the present century the middle class will have disappeared as the struggle for existence becomes fierce and relentless."
--Jacob S. Coxey, "Address of Protest" on the steps of the Capitol, from the Congressional Record, 53rd Congress, 2nd Session (9 May 1894), 4512.

There are millions of heads of families partially or wholly out of employment, and many of these must live in some degree on the earnings of their friends. In the agricultural districts wages have fallen one-half. In manufacturing and other lines, where labor is organized, and the unions will not permit reductions, wages remain more nearly at the old figures, but as there is nothing to prevent employers from reducing the number of their employees, this has been done to such an extent that the aggregate of all wages paid is at the starvation point.
--Denver News, 20 September 1896

There is to be a presidential election this year; in view of which it may be well to remark--
That workingmen will not be taxed less under a Republican president than they

sitting Democratic president, Grover Cleveland, was wildly unpopular because of the depression--a fact that helped foster a deep rift in the Democratic party, and also made Bryan's campaign an uphill battle from the start. During the first two years of McKinley's presidency the nation returned to prosperity, bringing new issues to the fore in 1898 and beyond.

'The spectacle of men fighting for work...' My God! This is terrible! Battling for the privilege of working all day for enough to eat--and the next day go at it again; and so on until the earth rattles on their pine boxes.
Cannot the good God do something to relieve his wretched children? Or is this thing to go on forever? Why not give some good-hearted, honest man supreme power for four years, and let him improve God's world or blow it up. He could not make it much worse than it is, for the great mass of mankind.
A judicious hanging bee in Wall Street would be a good measure with which to begin the reformation.
-- I.D. [Ignatius Donnelly] in The Representative, 29 August 1894

Cartoons on this Site Mentioning the Depression
(see also broader manifestations of economic concerns, such as appeals to workingmen, the currency question, and the tariff.)

29 September, L.A. Times
13 October, New York Journal
22 October, Sound Money

have been under a Democrat.
That there will be no more opportunities open to labor in the next four years than there have been in the past four.
That it will be just as difficult to "make ends meet" in the four years coming as in the four years going.
That there will be no more flour in the bin with a McKinley in the White House than there has been with a Cleveland.
That concentration of wealth will rather be accelerated than otherwise by the change. That the election of a Republican or a Democrat as president of this "republic" will have no more effect on inventionand the use of more machinery, than the kick of a gnat on the Rocky Mountain.
We admit that this is rather a gloomy forecast; but experience warrants it and events will justify it.
--The Coming Nation, March 21, 1896

1896
Homepage

Exhibit Q pg 1

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TITLE 15 > CHAPTER 2 > SUBCHAPTER VI > § 74

§ 74. Rules and regulations

The Secretary of the Treasury shall make such rules and regulations as are necessary for the carrying out of the provisions of section 73 of this title.

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